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2018
Annual Report

GRAPE KING BIO

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   Address: B2, No. 97, Section 2 Dunhua South Road, Taipei City
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5. **CPAs certifying the latest financial statements**

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   Name of CPA firm: Ernst & Young Certified Public Accountants
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   Website: http://www.ey.com/tw/zh_tw

6. **Venue for trading the Company's listed overseas securities and inquiry method for such overseas securities:** Nil

7. **Company website:**

   http://www.grapeking.com.tw

I

Letter to Shareholders

Dear Shareholders,

On behalf of Grape King Bio Ltd. (“the Company”), I would like to express my deepest gratitude to all Shareholders for your support over the past year.

The year the Company is entering its 50th anniversary and heading towards its goal of sustainable development with a steady pace of operation. In alignment with this goal, the Company continues to strengthen its Corporate Governance through the reinforcement of a corporate governance structure that exceeds the standard of related laws and regulations.

Our continued devotion to innovative research and development has been reinforced with the establishment of the Grape King Biotech Research Institute in Longtan Science Park, which is expected to be completed in the first quarter of 2019 and start production by the third quarter of 2019. We are also working towards obtaining the “Green Building logo” as a means we will be able to provide consumers with additional peace of mind that products have been produced in an environmentally friendly way. We place high emphasis in fulfilling our corporate mission of “Live Healthy, Think Grape King” .

With regards to the growth of the Company, I would like to thank all my Colleagues for their hard work and continued commitment and also sincerely thank our Shareholders for your trust and strong support to enable the Company to continue achieving outstanding performance. The following is a brief report to the Shareholders on our operating results for the 2018:

1. Business Results for 2018

(1) Financial Revenue and Expenditure for 2018

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

Item	2018
Operating Revenue	9,183,321
Operating costs	1,854,057
Operating margin	7,329,264
Operating expenses	4,979,427
Operating net profit	2,349,837
Non-operating income and expenses	76,827
Net profit after tax	1,890,072
Earnings per share	9.57

The operating income was affected by the implementation of IFRS 15, where the commission paid to the distributors is deducted at revenue level was reflected as a decrease in YOY revenue. This new accounting rule resulted in a reduction of NT$883,132 thousand in 2018. It should be noted that, on an “apple to apple” comparison, the operating income in 2018 was 7% higher than that of 2017.

In 2018, the net profit after tax is decreased by 2%, but operating income is increased by 4%, NT$ 95,542 thousands, compared with that of 2017. The main difference was due to non-operating income and expenses, road widening compensation income from Taoyuan Municipal Government’s urban plan in 2017. Dismissing this factor of compensational income, the Company has shown strong financial results, with net profit increasing by 3% from last year and the cash and cash equivalents increasing by NT$129,727 thousand compared with that at the end of 2017.

(2) Analysis of Profitability in 2018

Item	Percentage (%)
Return on assets	18.51
Return on equity	28.51
Ratio of Pre-tax net profit to paid-up capital	178.75
Net profit ratio	20.58
Earnings per share (NT$)	9.57

(3) Research and Development Status

The Company continues its efforts in new product research and development, new market development and enhancement of internal operations effectiveness in order to meet customer needs for high-quality products, and face industry and market challenges with a high degree of resilience so as to maintain our competitiveness and profitability. Therefore, new products like Probiotic King Powder, Bone and Joint King, Sliim Probiotics King, Hot Grass Jelly, Antrodia Drip Coffee, Daily Light, Agaricus Blazei Murill Noodle and Agaricus Blazei Murill Capsule were introduced in 2018 and received excellent feedback from consumers. In addition, Antrodia King, Bio Aid 995 and Cicada obtained the US FDA's GRAS certification.

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

2. Overview of 2018 Business Plan

(1) Operating principle and important production and marketing policies

Under the vison of the founder and President Shui Chao Tseng, and our core values "Live Healthy, Think Grape King", the Company has been able to maximize its competitive advantage of "delivering excellent quality with advanced equipment, professional research and development to maintain product innovation". With precise marketing capability and diversified distributional channels, the Company continues to develop health products that meet the various needs of consumers nationwide. Dedicated organizational structure, brand image innovation, and operational diversification under Chairman Andrew Tseng will continue to lead the Company into peaks of overall performance in the years to come.

For many years "Grape King Bio" has been one of the leading Brand in domestic health food market. We have taken the initiative to upgrade our biotechnology equipment and R&D facilities to manufacture and market our own brand as a means to ensure the quality of production. We uphold the PIC/S GMP pharmaceutical quality control procedures with automated in-house production process from raw materials to finished products. The Company monitors the entire production process at all times, including raw material examination, production line spot check, and the finished product inspection before entering the warehouse. By strictly monitoring every step of the production process, we are able to guarantee the delivery of safe and qualitative products for our consumers and their families.

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

According to the Industrial Technology Research Institute (ITRI), the global biotech market was expected to reach USD 1,123.7 billion in 2018, with an expected compounded annual growth rate of 6.6%, which will rise to USD 1,549.6 billion in 2023. At the same time, it was expected that the output of Taiwan's Biotechnology and Pharmaceutical industry will grow by 3.2% in 2018, with another 2% growth in 2019 and amounting to a total output value of NT$63.35 billion. Because of this trend, the Taiwan Government actively promotes the Biotechnology industry as one of the five major innovative industries, and expects Taiwan to establish itself as an R&D center for the Biotechnology and Medical industry in the Asia-Pacific region. As an active participant in the Biotechnology industry, the Company will cooperate in the "Bio-economic Industrial Development Project" for the Executive Yuan in future development and continuous growth.

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

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

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

(3) Honors and Awards

In 2018 the Company had an outstanding performance in corporate, product and core technology aspects. The awards won included "No. 33 of the Top 100 Most Attractive Employers in 2018" from Cheers Magazine, 3rd in the Pharmaceutical and Biotechnology category for the 5th consecutive year in the "Top 2000 Taiwan Corporations of 2018 by Common Wealth Magazine Issue No. 647", and an innovation award in the 19th "2018 International Union of Food Science and Technology (IUFoST) Food Research Innovation Awards". The Company was also awarded for its Corporate Social Responsibility and healthy workplace contributions with the "Friendly Enterprise Model Award" by Taiwan Immunization Vision and Strategy and a Gold Medal in the "2018 TCSA (Taiwan Corporate Sustainability Awards) Corporate Sustainability Report".

For technology Research and Developmentthe Company won 8 Gold, 4 Silver, 3 Bronze medals and 7 Special Awards from 5 countries. These awards were received from "2018 Russian Archimedes International Invention Exhibition" ,the "Middle East International Invention Exhibition", "2018 Geneva International Invention Exhibition", "Taiwan Innotech Expo", the "2018 Korea International Women's Invention Expo", the "2018 IIIC International Invention Exhibition", and the "Seoul International Invention Fair 2018". Moreover, Grape King Bio's Ganoderma King and Probiotics Series won the Excellence Award and Outstanding Award at the “2018 Health Brand Award” which was jointly organized by YAHOO!and “Good Morning Health”. Our Probiotics King product won an “Innovation Product Award” from the “Taiwan Association for Lactic Acid Bacteria (TALAB).

The Company’s subsidiary Pro-Partner Ltd, under the outstanding leadership of Chairwoman Chang-Yeh Tseng and General Manager Mei-Ching Tseng as well as the guidance of the six Consultants, has been growing steadily in recent years. Pro-Partner continues to be the largest solely owned Taiwanese MLM Company, and the second largest MLM Company in Taiwan based of annual revenue.

(4) Corporate Social Responsibility

With the continuing growth of the Company, we not only attach importance to the Company’s operating performance, but also are grateful to Society for its support and loyalty. We continue to actively strive towards a sustainable operating environment and social welfare contribution. Under our core values of "Technology, Health and Hope", the Company upholds the idea of "taking social responsibility and making a better society". The Company’s Corporate Social Responsibility strategies can be divided into six major categories: Corporate Governance, Product Liability, R&D and Innovation, Employee Relations, Social Co-existence and Green Environment.

i. Corporate Governance

Under the expectation of sustainable operation, the company continues to strengthen its Corporate Governance. In addition to complying with the provisions of the laws and regulations, we have also divided corporate governance into six major areas since 2014, including establishing an effective corporate governance structure, protecting shareholders’ rights, strengthening the functions of the Board of Directors, fully exercising the functions of the supervisor, respecting the rights and interests of stakeholders and improving information transparency.

Since 2018, the financial division of the Company has been acting as the “part-time unit for corporate governance”. And to further the enterprise culture of integrity and enhance enterprise management, the financial division is appointed as the “part-time unit for Ethical Corporate Management” to facilitate the establishment and implementation of Ethical Corporate Management Best Practice Principles. Through annual internal promotion and assessment on relevant regulations on Ethical Corporate Management, the Company aims to inculcate integrity and moral values in its staff members. The implementation situation will report to the Board of Directors annually.

Through regular face-to-face communication between the Independent Directors, internal auditors and accountants, the Independent Directors are able fully exercise their powers. The company also purchases “Director Supervisor and Key Staff Liability Insurance” for Directors and Supervisors to reduce and decentralize the risk of serious damage to the Company and Shareholders caused by mistakes or negligence of the Directors. On the other hand, the supervisor's responsibility is to assist the Board of Directors to improve the quality of supervision of company accounting, financial reporting, and internal control procedures. In 2018, the Company’s Independent Directors and supervisors did not raise any objection to or have reservation on the motions of Board of Directors.

The Company has "Stakeholder’s area" and "Contact Us" mailbox, consumer service telephone line, and internal "employee's mailbox", providing a multi-communication channel, with dedicated staff responding to issues raised by stakeholders. The Company also has a website in both English and Chinese to disclose financial, business and corporate governance information and financial business information to enhance information transparency.

ii. Product Liability

The Company's strict control over food safety is highlighted through the reinforcement of the food safety record system (from raw material inspection, process management, product quality, and OEM, ODM suppliers of raw materials, records and documentations of additives and suppliers) to manage its product liability. As of 2018, it has earned international recognitions including, but not limited to, the PIC/S GMP, ISO22000, HACCP, NSF GMP, TQF, HALAL, FSSC2200 and ISO/IEC 17025 TAF international certification etc., with the ultimate aim of providing quality products to our consumers with the most stringent standards of production.

iii. R&D and Innovation

Over the years the Company has been actively working with tertiary institutions with industry-university cooperation's. The Company arranges for students to visit its factories and internship opportunities (research and development, marketing, new product development or other projects), to share professional skills and cultivate students' competitiveness in the workplace and to create a seamless connection between the Company and schools. In addition, we work closely with schools and training institutions, where colleagues lecturer at universities and professional training institutions to help guide graduate students and assist in their master and doctoral dissertations. This is also done to cultivate the biotechnology and health food industry-related professionals for Taiwan. Chairman Andrew Tseng regularly leads fellow colleagues in the participation of the projects, as well as being an enterprise mentor, for the Taiwan Institute of Directors, "Executive Director Training Program". It has been the mission of the Company to cultivate industry-oriented professional talent and also act as as a bridge for academic talent and business community through enhancing practical experience of students, narrowing the gap between school-taught theories and real-life work experience.

iv. Employee-Friendly Workplace

The Company aims to create a friendly work environment for all colleagues. One of the ways of doing this is holding a "Grape King family day" every year to enrich the employees' work life balance, and to encourage them to participate with their family members. The Company allows staff to experience the diversity of life and generate more vitality through a variety of sporting and volunteering activities. A safer and healthier working environment with risk control is monitored by the Occupational Health and Safety Committee and consists of 2 full-time nurses whom arrange health-related seminars and activities on a regular basis. The Company's dedication to the provision of a safer and healthier working environment is also emphasized through the various certifications obtained in 2017, including OHSA18001, TOSHMS, ISO14001, Sport Enterprises and Healthy Workforce by the Sports Administration, Ministry of Education.

v. Social coexistence

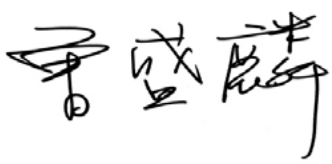
For many years the Company has been committed to providing socially disadvantaged groups, both locally and nationally, with financial and learning-aid donations. We also utilize our advanced biological technology to research and develop raw materials and products which will be beneficial to social groups. We hope that through the organization and participation in various public welfare activities, we will form closer links between employees and society. Since 2013, we have utilized public welfare resources to its maximum benefit through actively monitoring and participating in diverse areas of social activities that benefit vulnerable groups such as the youth, elderly or animals. For example, emergency allowances, family outings and Christmas Wish List projects for Pingzhen Middle School, Zhongli Middle School, Longxing Middle School, and Longgang Elementary School. The Grape King High School Scholarship program was established to encourage financially disadvantaged students and cultivate industry-oriented talent to obtain their personal goals of gain a better education. Participation of colleagues in public welfare activities is also strongly encouraged and has seen colleagues engage in regular half-a-year activities with Chensenmei Social Welfare Foundation where charity stands are set up to help raise funds for nursing homes. In addition, colleagues of the Company annually, accompanying orphan kids to do activities such as the island tour, watching movies, farm ecological tours, and backpacking. In 2018, the charity project “The Grape King Happiness Train — Show the Love all over Taiwan” was held, connecting various parties and expanding the service scope and support the vulnerable groups in twenty-three locations across Taiwan.

vi. Green environment

In order to protect the environment for the next generation, the Company promises to take into account its impact on the environment and protect the earth for the next generation. Great importance is placed on all production processes to ensure environmental protection. In addition to the various measures in place for energy preservation through carbon reduction, such as wastewater utilization, air pollution control equipment, noise-reduction equipment in the production line, paper recycling, a recycling zone, and one-hour lights out at noon, the Pingzhen Factory has also acquired ISO 14001 environmental management system certification that adopts PDCA. The Company also responded actively to the government’s call for carbon reduction in 2018 by implementing the “Promote Energy Conservation and Carbon Reduction Activity”. The Company appointed an “energy-saving ambassador and a competition was introduced to encourage a good habit for energy conservation. As a result, 5% energy conservation was achieved, far above the targeted 1% by the Bureau of Energy, Ministry of Economic Affairs. Our aim is to implement the ISO 50001 energy management system, and further improve energy performance and energy-usage optimization for 2019.

Summing up, in addition to meeting the expectations and requirements of the Shareholders and customers, Grape King Bio has also adhered to the concept of social welfare, putting an emphasis on its role in society as a whole. We believe that, through continuous efforts to learn and improve we will be able to achieve a socially responsible company that works for the best interest of the Company, Shareholders, Stakeholders, Employees, and Society.

Finally, I wish you all good health and happiness.



Chairman and GM ____________________ Andrew Tseng

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Company Profile

1. Establishment Date
2. Company History

1. **Establishment date: July 26, 1969**
2. **Company history:**

1969	● [Grape King Bio] set up "China Fusang Shenghuang Pharmaceutical Industry Co., Ltd." as the predecessor of the Company. The address was No. 60, Section 3 Longgang Road, Zhongli City, Taoyuan County, and the capital was NT$5 million.
1971	● [Grape King Bio] China Fusang Shenghuang Pharmaceutical Industry Co., Ltd. increased its capital by NT$13 million to NT$18 million to expand its production facilities and purchase equipment. "Grape King Food Co., Ltd." was established as one of the predecessors of the Company. The Company address was No. 60-9, Section 3 Longgang Road, Zhongli City, Taoyuan County, for the production of health foods such as Combest P and Lewei.
1973	● [Grape King Bio] "Grape King Food Co., Ltd." increased its capital by NT$24.5 million to NT$25 million to meet the needs of business expansion. A new four-story and a new five-story building were built, covering a total area of about 3,100 pings. "Kangbeishiang Cosmetics Co., Ltd." was set up, which changed its name to "Head & Shoulders Cosmetics Co., Ltd." in 1976.
1977	● [Grape King Bio] "China Fusang Shenghuang Pharmaceutical Industry Co., Ltd." and the world famous factory "US Schering Pharmaceutical" started their technical cooperation.
1979	● [Grape King Bio] "China Fusang Shenghuang Pharmaceutical Industry Co., Ltd." and "Grape King Food Co., Ltd." merged into "Grape King Enterprise Co., Ltd." with a capital increase of NT$53.5 million. The paid-up capital became NT$15 million.
1981	● [Grape King Bio] Merged "Head & Shoulders Cosmetics Co., Ltd." into a single company now for the purpose of centralized marketing and management operations.
1982	● [Grape King Bio] In December the Securities Exchange Commission of the Ministry of Finance approved the company’s public listing.
1984	● [Grape King Bio] In accordance with the provisions of the Government to implement the GMP (Good Manufacturing Practice) system and manufacture quality pharmaceutical products that meet international standards, the Company arranged a cash injection of NT$36.2 million to improve the factory environment and expand the production equipment. The paid-up capital became NT$230 million.
1987	● [Grape King Bio] The implementation of the GMP system to improve the factory environment and the expansion of production equipment were completed, and in November of the same year the Company was certified by the Department of Health, the Executive Yuan as a "G.M.P. Implemented Pharmaceutical Factory".
1990	● [Grape King Bio] For the development of new products, the improvement of the working environment of the food factory and the expansion of automated production equipment, the Company used the 1988 surplus of NT$46.92 million to increase its capital, and the paid-up capital became NT$276.92 million. In the same year the Company used the 1989 surplus of NT$56,737 thousand to increase its capital to add the automated production equipment for easy-to-open canned drinks, Combest and the Head & Shoulders Shampoo series in order to expand production capacity. In addition, to improve the timeliness of product supply for sales and reduce the cost of transportation, the Company planned to set up a delivery center and arranged a cash injection of NT$200 million.

1991	● [Grape King Bio] Completed the cash injection and the capital injection from the 1989 surplus in February, and the paid-up capital became NT$533,657 thousand. In view of the convenience and environmental friendliness of aluminum foil boxes, the Company purchased a set of aseptic production equipment for aluminum foil packaging and its peripheral facilities for the launch of its Kimoji Easy-to-Open Drink this year and the future development of new products. ● [Grape King Bio] Set up a bio-engineering center for the research and manufacturing of biotechnology products. ● [Grape King Bio] Moved the Zhongli warehouse to the Pingzhen factory which covers an area of about 3000 pings. A dedicated logistics center was also set up.
1992	● [Grape King Bio] Was approved in March to use the 1990 surplus of NT$54,918,500 to increase its capital. The Company also expanded its production equipment, recruited well-known domestic microbiology and biochemical engineering experts for its development of bio-engineered nutrition food, introduced Japan's latest equipment for computer-controlled production, and researched and developed biotechnology products. It officially transitioned from pharmaceutical manufacturing to functional nutrition food research and development. ● [Grape King Bio] The paid-up capital was NT$588,575,500. It used the 1991 surplus of NT$60,515,350 to increase its capital by issuing new shares, and the paid-up capital became NT$649,090,850.
1993	● [Grape King Bio] Was approved in March to use the 1992 surplus of NT$66,341,910 to increase its capital by issuing new shares in order to add automated pull-cap production equipment. The paid-up capital became NT$715,432,760.
1994	● [Grape King Bio] Used the 1993 undistributed surplus of NT$73,770,340 to increase its capital by issuing new shares in order to expand its production equipment as well as equipment for pure water, electricity and other items for the development of new products and production capacity improvement. ● [Shanghai Grape King] Was approved by the Ministry of Economic Affairs to set up the Shanghai Grape King Enterprise Co., Ltd. in the mainland through a third-country investment for the manufacturing and sale of all kinds of health food, bio-engineering technology and related glass containers as its major business.
1996	● [Grape King Bio] Used NT$88,230,430 from the 1995 surplus and capital reserve to increase its capital in order to improve the capital structure. The paid-up capital became NT$957,684,910.
1997	● [Grape King Bio] Used NT$ 96,726,750 from undistributed earnings to increase its capital, and the paid-up capital became NT$1,054,411,660. ● [Grape King Bio] This year the biotechnology center developed a variety of successful products such as Ganoderma King, Biolacto Powder and 995 Nutrient Drink. The Company created a high visibility for the products in a short period and led to a competition in the Ganoderma market ● [Shanghai Grape King] the first product - Combest drink was launched
1998	● [Grape King Bio] Appropriated NT$63,774,210 from its 1997 surplus to increase capital, and the paid-up capital became NT$1,118,185,870. In November, a cash injection of NT$190 million as approved by the competent authority was arranged and the paid-up capital became NT$1,308,185,870. ● [Pro-Partner] Made a filing to the Fair Trade Commission of the Executive Yuan to legally promote its business via multi-level marketing; the Taipei Head Office was set up.
1999	● [Grape King Bio] Completed the cash injection in February, and moved towards the goal of expanding biotechnology research and development.

2000	● [Grape King Bio] The Bio engineering center developed a variety of biotechnology products in this year, such as Agaricus Blazei King, Antrodia King, Hericium mycelium and Coriolus versicolor mycelium. It also developed the 200p (Pro) Drink which gradually became a rising star; the sales revenue has been growing year after year and it has become one of the Company's main product. ● [Pro-Partner] Set up its Taichung Operations Center.
2001	● [Grape King Bio] The biological engineering center developed Grifola frondosa, Coriolus versicolor, Cordyceps militaris and other raw materials, and introduced a variety of new tastes for aluminum foil boxes to meet market demand. ● [Pro-Partner] Both Antrodia Aqua and Probiotics & Prebiotics won the "1st Food Gold Award of China Evening News".
2002	● [Grape King Bio] The Company changed its name to Grape King Bio Ltd. ● [Grape King Bio] Premium Ganoderma King won the National Biotechnology and Medical Quality Award. ● [Grape King Bio] Started its diversification, and biotechnology products greatly improved the Company's operations. Besides, OEM also became an important new business. ● [Grape King Bio] 995 Super Nutrient Drink and Antrodia Aqua became the finalists of the National Biotechnology and Medical Quality Award.
2003	● [Grape King Bio] Made up for the losses in 1998, 1999 and 2000 and showed a profit. ● [Pro-Partner] Probiotics & Prebiotics won the National Biotechnology and Medical Quality Award.
2004	● [Grape King Bio] Antrodia camphorate OEM entered the Singapore market, and the biological center purchased a 40T fermentation tank to double the production capacity. ● [Pro-Partner] Set up the Taoyuan Operation Center and the Pingzhen Delivery Center.
2005	● [Grape King Bio] Passed cGMP pharmaceutical certification of the Department of Health, Executive Yuan, and the biological center added a mobile layer dryer, expanded its capacity and developed new formulations. ● [Grape King Bio] Subsidized by the Two-year Traditional Industry Upgrade Project of the Ministry of Economic Affairs.
2006	● [Grape King Bio] Signed a contract with the Food Industry Research and Development Institute for the transfer of two membrane concentration technologies; would be able to recycle high-priced protein drugs, and step into the field of biotechnology pharmacy.
2007	● [Grape King Bio] Subsidized by two projects of the Ministry of Economic Affairs for the development of anti-helicobacter pylori lactic acid bacteria products and plant endophytic biological fertilizer formulations. ● [Pro-Partner] Set up the Fengyuan Operations Center.
2008	● [Grape King Bio] Won the Taoyuan County Second Evergreen Outstanding Enterprise Award. ● [Grape King Bio] "Antrodia camphorate" was granted the Republic of China Patent No. I296929. ● Antrodia was granted the People's Republic of China Patent No. ZL200510095801.1. ● [Grape King Bio] Constructed an automated production and packaging plant for biotechnology products and the second fermentation plant. ● [Pro-Partner] The revenue reached NT$1.62 billion for the first time and surpassed that of Grape King, and the Company became number eight among the nation's direct sales merchants.

2009	● [Grape King Bio] Was subsidized by the Agricultural Biotechnology Research and Development Result Industrialization Project and started the fermentation production and product development of Ganoderma lucidum immunoregulatory protein. ● [Pro-Partner] Set up the Hsinchu Operations Center; the total revenue was NT$2.2 billion, ranking the sixth in Taiwan's direct sales industry and the first among local direct sales merchants.
2010	● [Grape King Bio] Began to expand the biological center's 3rd fermentation plant, which contains two 40T fermentation tanks and six 500L's. Test production is expected in June 2011. ● [Pro-Partner] The Taipei Operations Center's new building was completed; the operations on the 6th floor of the Taichung operations center were expanded; the Kaohsiung Operations Center's new building was completed.
2011	● [Grape King Bio] Won the 9th Golden Torch Award – Top Ten Outstanding Enterprises. ● [Grape King Bio] Won the 14th Golden Summit Annual Outstanding Enterprise Award. ● [Grape King Bio] Won the 1st National Industrial Innovation Award – Outstanding SME Award. ● [Grape King Bio] Won the Taipei Biotechnology Award - Technology Commercialization. ● [Grape King Bio] Was subsidized by the Biotechnology Research and Development Result Industrialization Project, developed the liquid cultivation of Hericium erinaceous essence, and developed age-delaying health food; completed the construction of the biological center's 3rd fermentation plant, which contains two 40T fermentation tanks and six 500L's, and the total capacity expanded to 275 tons. ● [Pro-Partner] Proteck Stomaker won the Silver National Biotechnology and Medical Quality Award. The founder and Chairman Sheng-Lin Tseng was invited to the Presidential Palace to accept President Ying-Jeou Ma's praise.
2012	● [Grape King Bio] The combined revenue was NT$4.62 billion, and the five-year average growth rate was more than 20%. ● [Grape King Bio] Won the 19th SME Innovation Research Award. ● [Grape King Bio] Won the 9th National Innovation Award. ● [Grape King Bio] Won the 2012 Taoyuan County Excellent Enterprise Award. ● [Pro-Partner] The revenue reached NT$4.2 billion, becoming the fourth in Taiwan, the first among local direct sales merchants, and no. 83 among the world's top 100 direct sales merchants. ● [Pro-Partner] Pro-Partner was awarded the "Golden Torch Award – Top Ten Outstanding Enterprises" by the Ministry of Economic Affairs.
2013	● [Grape King Bio] Replaced the Company's logo. Added six one-ton fermentation tanks and freeze-drying equipment. ● [Grape King Bio] Was granted a promotion subsidy of the Biotechnology Research and Development Result Industrialization Project of the Industrial Development Bureau, Ministry of Economic Affairs. ● [Grape King Bio] Was awarded the first prize by the Institute for Biotechnology and Medicine Industry on eight operating indicators. ● [Grape King Bio] Won the "Most Popular Brand Award" and "National First Award" of the 10th National Brand Yushan Award. ● [Grape King Bio] Was ranked No. 36 in the "Top 100 Enterprises the New Generation Wants to Work for in 2013" and No. 2 in the "Science Category" of Cheers Special Issue No. 117.

2013	● [Grape King Bio] Was a finalist in the 2nd Prestigious Enterprise Award. ● [Pro-Partner] Increased the number of service offices in Taipei, and established a new Taipei Operations Center which is the seventh operations center of Pro-Partner. ● [Pro-Partner] Spent NT$3 billion to purchase the new building in Neihu to create a new operating headquarters. ● [Pro-Partner] The annual revenue was NT$5 billion with a record 28% annual growth rate. The Company ranked the third in Taiwan's direct sales industry and the first among local direct sales merchants.
2014	● [Grape King Bio] The consolidated revenue was NT$6.282 billion. ● [Pro-Partner] The revenue reached NT$5.827 billion, and the Company became the second in Taiwan's direct sales industry and the first among local direct sales merchants for four consecutive years. ● [Grape King Bio] Obtained PIC/S GMP (Good Manufacturing Practices for Western Medicine) certification. ● [Grape King Bio] Obtained ISO 22000 certification (food safety and health management system certification). ● [Grape King Bio] The construction ceremony of the new plant in Pingzhen was held in May. ● [Grape King Bio] Signed a letter of intent with the Chinese mainland pharmaceutical manufacturer Yunnan Baiyao Group in July. ● [Grape King Bio] The Science Industrial Park's Review Committee decided in August that the Company falls into the "science industry" category in the "Regulations for Science Industrial Park's Establishment and Management", and was allowed to set up "Grape King Bio Ltd. Longtan Science Park Branch" in the Park. ● [Grape King Bio] Won the third prize in the Pharmaceutical and Biotechnology Category of 2014 Top 2000 Enterprise Survey of Commonwealth Magazine Issue No. 547. ● [Grape King Bio] Won Forbes 2014 Asia's 200 Best Listed SMEs (Best Under A Billion). ● [Grape King Bio] Won the 2014 Top 20 Innovative Taiwan Companies Award. ● [Grape King Bio] Won the 2014 Outstanding Marketing Contribution Award - Annual Outstanding Advertiser's Partnership Award. ● [Grape King Bio] mushroom and fungus health food development] Won the 11th National Innovation Award. ● [Grape King Bio] The Antrodia King series of products won the Top 10 Outstanding Products Award of the 16th Golden Summit Award.
2015	● [Grape King Bio] The consolidated revenue was NT$7.274 billion. ● [Pro-Partner] The revenue was NT$6.708 billion, and the Company was still the second in Taiwan's direct sales industry and the first among local direct sales merchants for five consecutive years. ● [Grape King Bio] Introduced a number of new products such as Tian Qi Ling Zhi Essential Drink, PowerBOMB Energy Drinks and Ganoderma for Kids, Marigold Lutein Complex and so on. ● [Grape King Bio] Was awarded ISO17025 certification by TAF. ● [Grape King Bio] Again won the third prize in the Pharmaceutical and Biotechnology Category of 2015 Top 2000 Enterprise Survey of Commonwealth Magazine Issue No. 572. ● [Grape King Bio] Won the Excellence Award of 2015 Manager Monthly's Influential Brand in the Health Food category.

2015	● [Grape King Bio] The Antrodia King series of products won the Top 10 Outstanding Enterprises - Excellent Products Award of the 12h Golden Torch Award. ● [Grape King Bio] The technical patent for "The Active-Substance of Alkali-Extracted Polysaccharide Polypeptide From Antrodia Camphorate Mycelium to Protect and Proliferate Liver Cells" won a gold medal in the Biotechnology, Health & Fitness category of the 26th ITEX International Invention Exhibition in Malaysia in 2015. ● [Grape King Bio] The technical patent for "The Active-Substance of Alkali-Extracted Polysaccharide Polypeptide from Antrodia Camphorate Mycelium to Protect and Proliferate Liver Cells" won a gold medal in the Alternative Medicine/Therapeutic category of the 30th IPEX International Invention Exhibition in Pittsburgh, USA in 2015. ● [Grape King Bio] Again won Forbes 2015 Asia's 200 Best Listed SMEs (Best Under A Billion). ● [Grape King Bio] The technical patent for "The Active-Substance of Alkali-Extracted Polysaccharide Polypeptide From Antrodia Camphorate Mycelium to Protect and Proliferate Liver Cells" won a gold medal in the 2015 Taipei International Invention and Technology Trade Show. ● [Grape King Bio] The technical patent for "The Active Substance of Cicada, Its Preparation Method, Pharmaceutical Compounds and Use" won a bronze medal in the 2015 Taipei International Invention and Technology Trade Show.
2016	● [Grape King Bio] The consolidated revenue was NT$9.185 billion. ● [Pro-Partner] The revenue reached NT$8.17 billion, ranking number two in Taiwan's direct sale business and was number one among the local direct sale merchants for many years. ● [Grape King Bio] The Pingzhen plan was opened in September. ● [Grape King Bio] Launched new products Snow Brightening Essential Drink , Tian Qi Maca Essential Drink, Ling Zhi Antiallergy, Pueraria Mirifica Queen and Sliim Turmeric Complex. ● [Grape King Bio] Was ranked No. 32 in the "Top 100 Enterprises the New Generation Wants to Work for in 2016" and No. 1 in the "Medical Biotechnology" of Cheers Special Issue No. 184. ● [Grape King Bio] "Tripling the Proliferation of Normal Liver Cells with Alkali-Extracted Polysaccharide" won a gold medal in the 44th Geneva International Invention Exhibition and the United Arab Emirates' Special Award. ● [Grape King Bio] The Hericium mycelium special process patent won a silver medal in the 44th Geneva International Invention Exhibition. ● [Grape King Bio] "Antrodan (Peptidoglycan), An Active Substance From Antrodia Camphorate Mycelium to Protect and Proliferate Liver Cells" won a bronze medal in the 2016 Paris International Invention Exhibition. ● [Grape King Bio] "The Active Substance of Cicada, Its Preparation Method, Pharmaceutical Compounds and Use" won a bronze medal in the 2016 Paris International Invention Exhibition. ● [Grape King Bio] "Fermentation Process of Hericium Erinaceous Mycelium for Rich Hericium Auratus A" won a bronze medal in the 2016 Paris International Invention Exhibition. ● [Grape King Bio] For the third consecutive year won the third prize in the Pharmaceutical and Biotechnology Category of the 2016 Top 2000 Enterprise Survey of Commonwealth Magazine Issue No. 597. ● [Grape King Bio] Won the 2016 Superbrands award. ● [Grape King Bio] Was the only Taiwanese company that won the award of BioSpectrum Magazine's "Asia's Top 50 Fast Growing Biotechnology Companies".

2016	● [Grape King Bio] The Ganoderma King won the Excellence Award of the "2016 Health Brand Award" jointly organized by YAHOO! And "Goodmorning Health". ● [Grape King Bio] The Probiotic series of products won the Outstanding Award of the "2016 Health Brand Award" jointly organized by YAHOO! And "Goodmorning Health". ● [Grape King Bio] Pro-Partner Neuro-trition developed by the Company's R&D Team won the only World Food Industry's Special Award – Consumer Science Education Award in the "2016 IUFoST World Food Technology Conference". ● [Grape King Bio] "A Method for Preventing the Rapid Degradation of Hericium Auratus A in the Fermentation Process of Hericium Erinaceous" won a gold medal in the 2016 Taipei International Invention Show & Technomart. ● [Grape King Bio] "A Method for Preparing Fermentation Liquid Containing Anti-UVA Active Lilac Mushroom Mycelium" won a silver medal in the 2016 Taipei International Invention Show & Technomart. ● [Grape King Bio] Was the only enterprise commended by the Taoyuan City Government for education promotion. ● [Grape King Bio] In response to its joining of the Taiwan Vaccine Promotion Association's "Influenza Prevention Alliance", the Company created a healthy workplace and won the "Epidemic Fighting Award". ● [Grape King Bio] "The Antrodia Camphorate Active Substance and Its Compounds to Reduce Drug Resistance of Cancer Cells" won a gold medal in the 2016 IIIC International Innovative Invention Competition. ● [Grape King Bio] "The Active Substance of Cicada, Its Preparation Method, Pharmaceutical Compounds and Use (on Xerophthalmia)" won a gold medal in the 2016 IIIC International Innovative Invention Competition. ● [Grape King Bio] "The Active Substance of Hericium and Hericium Erinaceus Mycelium to Alleviate Pains, Its Preparation Method and Pharmaceutical Compounds" won a silver medal in the 2016 IIIC International Innovative Invention Competition. ● [Grape King Bio] Pro-Partner Neuro-trition developed by the Company's R&D Team won a gold medal in the Innovative Processing Technology category of the Taiwan Food Science and Technology Institute's Innovative Product Evaluation Award. ● [Grape King Bio] "The Active Substance of Cicada to Prevent Xerophthalmia, Its Preparation Method, Pharmaceutical Compounds and Use" won a gold medal in the 12th Seoul Invention Exhibition in 2016. ● [Grape King Bio] "Antrodia Camphorate Mycelium Extract and Its Medicine or Food to Reduce Drug Resistance of Cancer Cells" won a silver medal in the 12th Seoul Invention Exhibition in 2016. ● [Grape King Bio] "The Active Substance of Hericium and Hericium Erinaceous Mycelium to Alleviate Pains, Its Preparation Method and Pharmaceutical Compounds" won a bronze medal and special award in the 12th Seoul Invention Exhibition in 2016.
2017	● [Grape King Bio] The consolidated revenue was NT$9.388 billion. ● [Pro-Partner] The revenue reached NT$8.05 billion, ranking number two in Taiwan's direct sale business and was number one among the local direct sale merchants for many years. ● [Grape King Bio] opened its " Grape King Health and Vitality Power Center" in July. ● [Grape King Bio]launched a new product "Gold Combest Energy Drink", the country's first health-marked energy drink. ● [Grape King Bio]Ranked No.3 in the "Biotechnology and Pharmaceutical Industry" category among 2000 companies listed by Common Wealth Magazine, Issue No.622 for the fourth consecutive year. Its consolidated manufacturing industry ranking advanced from 371 to 307. ● [Grape King Bio] has been certificated by Sports Administration, Ministry of Education for the Sports Enterprise.

2017	● [Grape King Bio] The Ganoderma King products won the first prize in the Ganoderma/ Mushroom and Ginseng Nutritional Supplement Category of the "2017 Yahoo! Health Brand Awards" jointly organized by YAHOO! and "Goodmorning Health". ● [Grape King Bio] The [Probiotic Series] won the Excellence Award in the Ganoderma/ Mushroom and Ginseng Nutritional Supplement Category of the "2017 Yahoo! Health Brand Awards" jointly organized by YAHOO! and "Goodmorning Health". ● [Grape King Bio] [Marigold Lutein QQ for Kids] won the Innovative Product Concept Award from the Taiwan Association for Food Science and Technology. ● [Grape King Bio] Cordyceps patent “Cordyceps cicadae mycelia for the amelioration of dry eye” was awarded Gold medal and Special awards at the 2017 New Exhibition of Inventions in Geneva, Switzerland. ● [Grape King Bio] Hericium erinaceous patent “A novel compound, erinacine S, isolated from the mycelia of Hericium Erinaceous for pain treatment” was awarded Bronze Award at the 2017 New Exhibition of Inventions in Geneva, Switzerland. ● [Grape King Bio] Cordyceps patent “Cordyceps cicadae mycelia for the amelioration of dry eye” was awarded a Gold Medal at 2017 Shanghai International Invention Exhibition. ● [Grape King Bio] Hericium erinaceous patent “A novel compound, erinaceous, isolated from the mycelia of Hericium Erinaceous for pain treatment” was awarded a Silver medal award at 2017 Shanghai International Invention Exhibition. ● [Grape King Bio] “Cordyceps cicadae mycelium active substances, preparation method, pharmaceutical composition and application thereof” was awarded a Gold Medal and Special Award at INPEX 2017. ● [Grape King Bio] “Cultivation method for preventing rapid degradation of erinacine A during fermentation of Hericium erinaceous mycelium” was awarded a Silver Medal at INPEX 2017. ● [Grape King Bio] “Cordyceps cicadae mycelium active substances, preparation method, pharmaceutical composition, and application thereof” was awarded 1 silver medal at 2017 Taipei International Invention Show& Technomart. ● [Grape King Bio] “The heripene, the active substance of the mycelium of Hericium erinaceous for decreasing the pain, the producing method and the pharmaceutical composition thereof” was awarded 1 silver medal at 2017 Taipei International Invention Show& Technomart. ● [Grape King Bio] “Cultivation method for preventing rapid degradation of erinacine a during fermentation of Hericium Erinaceous mycelium “ won a gold medal in the 2017 International Trade Fair “ideas, Inventions, New products” at Nuremberg (iENA2017). ● [Grape King Bio] “A pharmaceutical or food composition of Antrodia Cinnamomea extract reducing drug – resistance in cancer cells.” was awarded a gold medal in the 2017 International Trade Fair “ideas, Inventions, New products” at Nuremberg (iENA2017). ● [Grape King Bio] “Probiotic encapsulation technology significantly improves the survival of probiotic cells in intestinal tract” was awarded gold medal in the 2017 8th IIIC International Innovation and Invention Competition. ● [Grape King Bio] “Manipulation of Erinacine A which can ameliorate age by submerged fermentation of Herivine erinaceous mycelium” was awarded gold medal in the 2017 8th IIIC International Innovation and Invention Competition. ● [Grape King Bio] “Discovery of anti-UV composed in Lepista nuda mycelium-Ergothioneine” was awarded silver medal in the 2017 8th IIIC International Innovation and Invention Competition.

2017	● [Grape King Bio] "Antrodia Cinnamomea mycelium for improving nonalcoholic steatohepatitis (NASH)" was awarded gold prize and special award in the 2017 Seoul International Invention Fair Korea. ● [Grape King Bio] "Cordyceps cicadae mycelium for preventing, delaying and treating cataract" was awarded silver prize in the 2017 Seoul International Invention Fair Korea. ● [Grape King Bio] "Hericium erinaceous for preventing age-related hearing loss" was awarded bronze prize in the 2017 Seoul International Invention Fair Korea. ● [Grape King Bio] The Cicadae fermentation Mycelium won 14th National Innovation Award.
2018	● [Grape King Bio] The consolidated revenue was NT$9.183 billion (note: IFRS 15 is applied from this year) ● [Pro-Partner] The revenue reached NT$7.389 billion, ranking number two in Taiwan's direct sale business and has been ranked as the top local direct sale merchants for consecutive years. (note: IFRS 15 is applied from this year) ● Top 20% of the 2018 (4th Round) Corporate Governance Evaluation Award by Taiwan Stock Exchange Corporate Governance Center (all 864 listed companies) ● [Grape King Bio] New product launched —Probiotic King Powder ● [Grape King Bio] Leading Firm in Taiwan on the 2018 Cheers Magazine "Top 100 Taiwan Companies to Work For". ● [Grape King Bio] Five consecutive years ranked as number three in the pharmaceuticals and biotechnology industry by "Top 2000 Enterprises in Taiwan by the Common Wealth Magazine" ● [Grape King Bio] Awarded the "Friendly Enterprise Model Award" by the "Taiwan Immunization Vision and Strategy". ● [Grape King Bio] Won the Food Research Innovation Award at the "2018 International Union of Food Science and Technology (IUFoST)". ● [Grape King Bio] Won the Gold Medal in the "2018 TCSA Taiwan Enterprise Sustainability Report Awards". ● [Grape King Bio] The Ganoderma King won the Outstanding Award of the "2018 Health Brand Award" jointly organized by YAHOO! and "Goodmorning Health" in the category of nutritional supplement — Ganoderma lucidum/mushroom, ginseng ● [Grape King Bio] The Probiotics series of products won the Excellence Award of the "2018 Health Brand Award" jointly organized by YAHOO! And "Goodmorning Healthy" in the category of nutritional supplement — probiotics. ● [Grape King Bio] Probiotic King was awarded with an "Innovation Product Award" by "The Taiwan Association for Lactic Acid Bacteria (TALAB) ● [Grape King Bio] "A novel probiotic encapsulation technology that significantly improves the viability of probiotic cells in the intestinal tract" was awarded with a Gold Medal and a Special Award at the "2018 Russian Archimedes International Invention Exhibition". ● [Grape King Bio] "Rapid isolation of a novel anticancer compound Antrodin C from Antrodia" won a Gold Medal Award and the Korea Invention Association Special Award at the "2018 Russian Archimedes International Invention Exhibition". ● [Grape King Bio] "A mycelial extract of camphor Ganoderma with reduced drug resistance of cancer cells and a pharmaceutical or food composition thereof" won the Bronze Medal at "The International Invention Fair in Middle East (IIFME)". ● [Grape King Bio] "Hericium Erinaceous, compositions comprising an active compound for treating dementia and methods of use thereof" was awarded with a Bronze Medal and a Special Award at "The International Invention Fair in the Middle East (IIFME)".

2018	● [Grape King Bio] 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 a Gold Medal and the Malaysia Special Award at the "2018 Geneva International Invention Exhibition". ● [Grape King Bio] The patent — "use of Antrodia Cinnamomea mycelia fermentation product for improving nonalcoholic steatohepatitis (NASH)" was awarded a Silver Medal at the "2018 Geneva International Invention Exhibition". ● [Grape King Bio] "Hericium Erinaceous, compositions comprising an active compound for treating dementia and methods of use thereof" was awarded a Silver Medal and the Special Award at the "Taiwan Innotech Expo.". ● [Grape King Bio] "Development of a microencapsulation technique for probiotic bacteria" was awarded a Silver Medal at the "Taiwan Innotech Expo.". ● [Grape King Bio] "The heripene, the active substance of the mycelium of Hericium Erinaceous or decreasing pain, the producing method and the pharmaceutical composition thereof" won the Bronze Medal and the Special German Award at the "2018 Korea International Women's Invention Expo". ● [Grape King Bio] "GKM3-A Weight Management Probiotic" was awarded a Gold Medal at the "2018 IIIC International Invention Exhibition Awards". ● [Grape King Bio] "Fermentation of Hericium Erinaceous Mycelium – Erinaces A- which can ameliorate age-related hearing loss" was awarded a Gold Medal at the "2018 IIIC International Invention Exhibition Awards". ● [Grape King Bio] "Antrodia 4-AAQB, a potent anti-cancer compound of Antrodia Cinnamomea" was awarded a Gold Medal at the "2018 IIIC International Invention Exhibition Awards". ● [Grape King Bio] "Lactobacillus, its composition, culture method, and its functions of lowering uric acid, improving allergy and lowering blood sugar" was awarded the Gold Medal and the Special Award at the "2018 Seoul International Invention Fair". ● [Grape King Bio] "Cordyceps cicadas mycelium active substances, preparation method, pharmaceutical composition and application thereof" was awarded the Gold Medal at the "2018 Seoul International Invention Fair". ● [Grape King Bio] "Hericium erinaceous mycelium compositions comprising an active compound for treating dementia and methods of use thereof" won the Silver Medal at the "2018 Seoul International Invention Fair".

III
Corporate Governance

1. Organization Structure
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3. Recent Remuneration to Directors, Supervisors, Presidents and Vice Presidents
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9. Information about the Top Ten Shareholders Who are related parties
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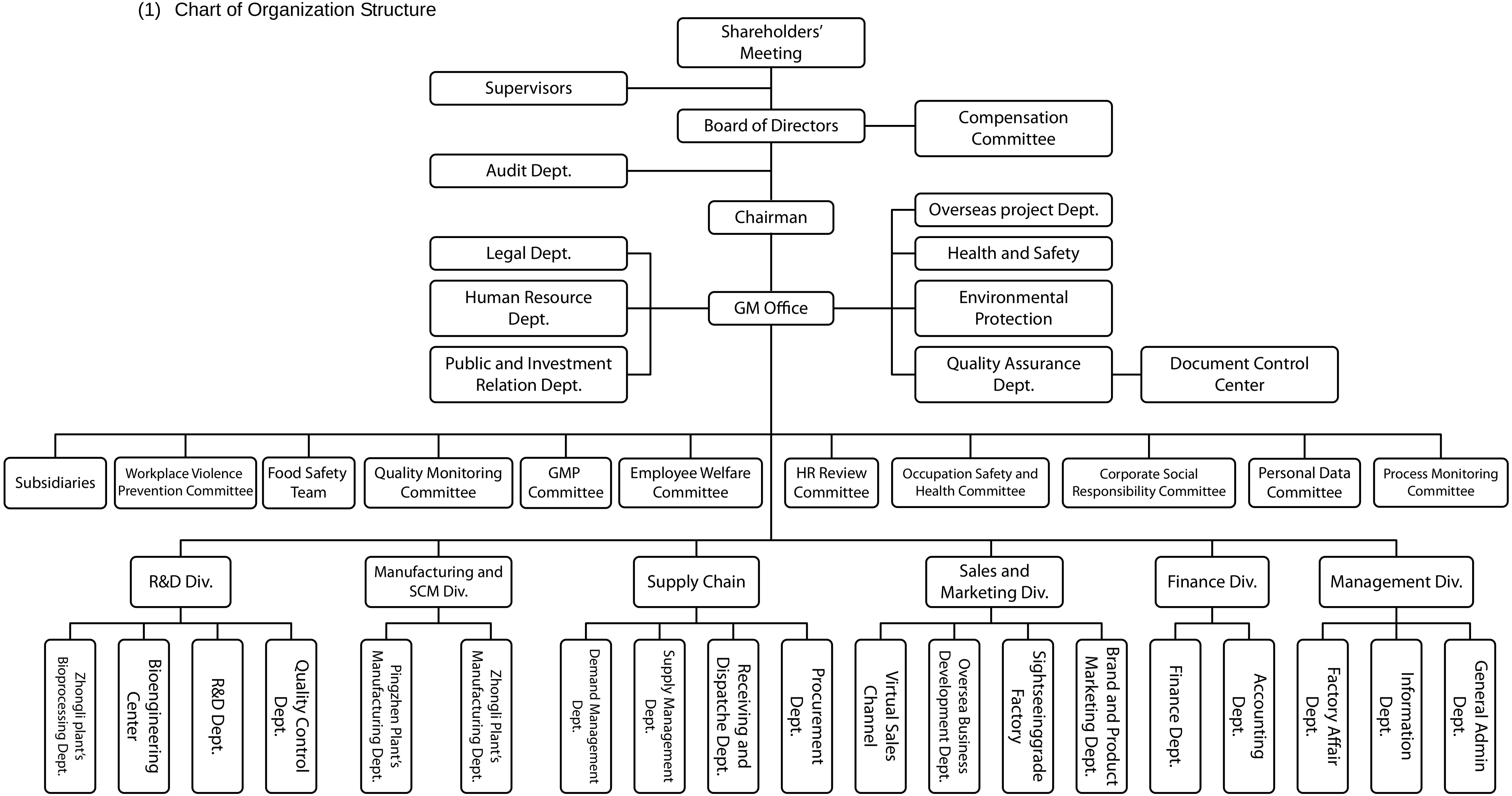
1. Organization Structure

(1) Chart of Organization Structure



(2) Responsibilities of Major Departments

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

Department	Responsibility
Legal Department	To manage, plan and establish the Company's legal affairs related business.
Environmental Protection Department	To formulate, implement and supervise environmental hygiene and other related matters.
Public and Investment Relation Dept.	Responsible for corporate relationship management and public relations related matters.
Management Division	To take care of corporate administrative affairs, information, plant projects and other matters.
Finance Division	To manage, plan and formulate the Company's financial and accounting related matters and serve as the part-time unit for corporate governance and ethical corporate management.
Sales and Marketing Division	To collect domestic and foreign marketing resources, contact and track domestic and foreign OEM businesses, carry out the Company's product sales development and lead and integrate marketing strategies to develop brand value and innovation.
Supply Chain	Responsible for the integration and implementation of demand planning, supply planning, procurement, raw material storage, finished product logistics and other related operations.
Manufacturing and SCM Division	To carry out manufacturing, processing, packaging and other related matters.
R&D Division	To carry out new product research and development and old product improvement, product quality control, raw material testing, product quality management, quality identification and other matters.

2. Directors, Supervisors and Managers team

(1) Directors and Supervisors

March 31, 2019 Unit:Share;%

Title (Note 1)	Nation-ality	Name	Gender	Date Elected	Term (years)	Date First elected (Note 2)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 3)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Republic of China	Andrew Tseng	Male	29 May,2018	3	June 19, 2009	5,761,244	4.25	5,928,244	4.35	-	-	-	-	PhD	Note 4	Director	Mei-Ching Tseng	Sister and brother
Director	Republic of China	Mei-Ching Tseng	Female	29 May,2018	3	June 26, 2015	4,505,117	3.32	4,592,117	3.37	-	-	45,000	0.03	Master's Degree	Note 4	Chairman	Andrew Tseng	Sister and brother
Director	Republic of China	Zhijia Chang	Male	29 May,2018	3	June 19, 2009	1,538,386	1.13	1,538,386	1.13	1,730,000	1.27	-	-	Master's Degree	Note 4	Supervisor	Chih Sheng Chang	Brothers
Director	Republic of China	Zhiwei Lai	Male	29 May,2018	3	29 May,2018	653,000	0.48	653,000	0.48	-	-	-	-	Master's Degree	Nil	Nil	Nil	Nil
Director	Republic of China	Yanxiang Huang	Male	29 May,2018	3	29 May,2018	13,000	0.01	122,000	0.09	-	-	-	-	Bachelor	Note 4	Nil	Nil	Nil
Director	Republic of China	Ding Fu Investment Co., Ltd.		29 May,2018	3	June 26, 2015	1,293,000	0.95	1,293,000	0.95	-	-	-	-	-	Nil	Nil	Nil	Nil
		Representa-tive Sheng-Bin Tseng		Effective date: 29 May,2018			709,230	0.52	709,230	0.52	817,000	0.60	-	-	College	Note 4	Nil	Nil	Nil
Independent Director	Republic of China	Fengyi Lin	Male	29 May,2018	3	June 26, 2015	-	-	-	-	-	-	-	-	Master's Degree	Note 4	Nil	Nil	Nil
Independent Director	Republic of China	Ching-Fu Chen	Male	29 May,2018	3	June 26, 2015	-	-	-	-	-	-	-	-	PhD	Nil	Nil	Nil	Nil
Independent Director	Republic of China	Yifan Miao	Female	29 May,2018	3	29 May,2018	-	-	-	-	-	-	-	-	Master's Degree	Note 4	Nil	Nil	Nil
Supervisor	Republic of China	Chih Sheng Chang	Male	29 May,2018	3	June 16, 1997	2,093,957	1.54	2,093,957	1.54	992,530	0.73	-	-	College	Note 4	Director	Zhijia Chang	Brothers
Supervisor	Republic of China	Hsing Chun Chen	Female	29 May,2018	3	29 May,2018	1,038,596	0.77	1,081,596	0.79	-	-	-	-	Master's Degree	Nil	Nil	Nil	Nil

Note 1: If a corporate shareholder, please list its name and the representative's name (if the representative of a corporate shareholder, please indicate the name of the corporate shareholder) and fill in Table 1 below.
Note 2: Please fill in the time of assuming the Company's director or supervisor position for the first time. If there is any interruption, please indicate.
Note 3: Experience related to the current position. If the person has worked for the Company's CPA firm or affiliates in the aforementioned period, please describe the titles and responsibilities.
Note 4: List of Directors and Supervisors with positions at the Company and other companies. ◦

Name	Positions at the Company and other companies
Andrew Tseng	The Company's General Manager; Pro-Partner Co., Ltd. Director; BVI GRAPE KING INTERNATIONAL INVESTMENT INC. Chairman; Shanghai Grape King Enterprise Corp. Director; Rivershine Ltd. Chairman; Dongpu Biotech Corporation. Executive Director; Dongpu Biotech Corporation. General Manager.
Mei-Ching Tseng	Pro-Partner Co., Ltd. Director; Pro-Partner Co., Ltd. General Manager; BVI GRAPE KING INTERNATIONAL INVESTMENT INC. Director; Rivershine Ltd. Director; Shanghai Yi Zhao Trading Co., Ltd. Supervisor; Yunshin Investment Ltd. Director.
Zhijia Chang	Pro-Partner Co., Ltd. Director; BVI GRAPE KING INTERNATIONAL INVESTMENT INC. Director; Rivershine Ltd. Director; Dongpu Biotech Corporation. Supervisor.
Yanxiang Huang	BVI GRAPE KING INTERNATIONAL INVESTMENT INC. Supervisor.; Chingbiao Biotech Co. Ltd. Chairman; Chingbiao Investment Co., Ltd. Director; Jinghua Industrial Co., Ltd. Director.
Sheng-Bin Tseng	Ding Fu Investment Co., Ltd. Chairman.
Fengyi Lin	WAFERWORKS CORP. Independent Director; HeJian Technology (Suzhou) Co., Ltd. Independent Director.; Jouder Precision Industry (Kunshan) Co.,Ltd. Independent Director.; Digiwin Software Co.,Ltd. Independent Director.
Yifan Miao	THI Consultants Inc. Supervisor. JaBon International Co.,Ltd. Independent Director.
Chih Sheng Chang	YUSONG INTERNATIONAL INC. Director

Table 1: Major shareholders of the institutional shareholders

March 31 ,2019

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

Note 1：If the Director or Supervisor is the representative of a corporate shareholder, please fill in the name of the corporate shareholder.
Note 2：Please fill in the name of the major shareholder of the corporate shareholder (top 10 in shareholding) and the shareholding ratio. If the major shareholder is a corporate shareholder, please also fill in Table 2.

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

March 31 ,2019

Name of Institutional Shareholder	Major shareholder
NA	NA

Note 1: If the major shareholder in Table 1 is a corporate shareholder, please fill in its name.
Note 2: Please fill in the name of the corporate shareholder's major shareholder (top 10 in shareholding) and the shareholding ratio.

Professional Qualifications and Independence analysis of the Directors and Supervisors

March 31 ,2019

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

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

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law

(2) Management Team

March 31, 2019 Unit: Share; %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) Name	Other Position Relation	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	Title			Title	Name	Relation
Chairman and General Manager	Republic of China	Andrew Tseng	Male	2014.11.6 Election. 2014.11.7 Effective.	5,928,244	4.35	-	-	-	-	PhD, Business Management, University of Strathclyde (UK)	Note	Nil	Nil	Nil
Deputy GM, R&D Division	Republic of China	Jin-Chu Chen	Male	2014.01.01	1,388	0.001	-	-	-	-	PhD, Life Science School, Tsing Hua University	Note	Nil	Nil	Nil
Deputy GM, Business Division	Republic of China	Yuan-Tsung Lin	Male	2017.07.01	-	-	-	-	-	-	EMBA, National Chung Hsing University	Note	Nil	Nil	Nil
CFO	Republic of China	Nick Hung	Male	2014.01.01	-	-	-	-	-	-	Bachelor, Chung Hsing University	Note	Nil	Nil	Nil
CLO	Republic of China	Chih-Lin Hung	Male	2017.07.03	-	-	-	-	-	-	Master, College of Law, National Chengchi University	Nil	Nil	Nil	Nil

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

Name	Positions at the Company and other companies
Andrew Tseng	The Company's General Manager; Pro-Partner Co., Ltd. Director; BVI GRAPE KING INTERNATIONAL INVESTMENT INC. Chairman; Shanghai Grape King Enterprise Corp. Director; Rivershine Ltd. Chairman; Dongpu Biotech Corporation. Executive Director; Dongpu Biotech Corporation. General Manager.
Jin-Chu Chen	The Company's Longtan Science Park Branch General Manager; Pro-Partner Co., Ltd. Director.
Yuan-Tsung Lin	Shanghai Grape King Enterprise Corp. Director, Shanghai Grape King Enterprise Corp. General Manager, Shanghai Yi Zhao Trading Co., Ltd. General Manager
Nick Hung	GK BIO INTERNATIONAL SDN. BHD. Director.

3. Remunerations of the Directors, Supervisors, President, and Vice President

Remunerations of the Directors (including Independent Directors)

Unit: NT$ thousand；%

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Director remuneration</th><th colspan="2" rowspan="2">The sum of A, B, C and D as a percentage of after-tax net profit (Note 10)</th><th colspan="8">Remuneration from other jobs</th><th colspan="2" rowspan="2">The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit (Note 10)</th><th rowspan="4">Remuneration from re-invested businesses other than subsidiaries (Note 11)</th></tr>
<tr><th colspan="2">Remuneration (A) (Note 2)</th><th colspan="2">Retirement pension (B)</th><th colspan="2">Director remuneration (C) (Note 3)</th><th colspan="2">Business execution expenses (D) (Note 4)</th><th colspan="2">Remuneration, bonus and special fees (E) (Note 5)</th><th colspan="2">Retirement pension (F)</th><th colspan="4">Employee remuneration (G) (Note 6)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies in the consolidated financial statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the consolidated financial statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the consolidated financial statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the consolidated financial statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the consolidated financial statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the consolidated financial statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the consolidated financial statements (Note 7)</th><th colspan="2">The Company</th><th colspan="2">All companies in the consolidated financial statements (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the consolidated financial statements (Note 7)</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Andrew Tseng</td><td rowspan="12">-</td><td rowspan="12">-</td><td rowspan="12">-</td><td rowspan="12">-</td><td rowspan="12">24,632</td><td rowspan="12">24,632</td><td rowspan="12">2,700</td><td rowspan="12">3,260</td><td rowspan="12">2.11</td><td rowspan="12">2.15</td><td rowspan="12">3,823</td><td rowspan="12">9,030</td><td rowspan="12">-</td><td rowspan="12">-</td><td rowspan="12">7,582</td><td rowspan="12">-</td><td rowspan="12">17,033</td><td rowspan="12">-</td><td rowspan="12">2.99</td><td rowspan="12">4.17</td><td rowspan="12">Nil</td></tr>
<tr><td>Director</td><td>Chang-Yeh Tseng (Note 1)</td></tr>
<tr><td>Director</td><td>Mei-Ching Tseng</td></tr>
<tr><td>Director</td><td>Yan-Yi Huang (Note 1)</td></tr>
<tr><td>Director</td><td>Zhijia Chang</td></tr>
<tr><td>Director</td><td>Cheng-An Lai (Note 1)</td></tr>
<tr><td>Director</td><td>Zhiwei Lai (Note 1)</td></tr>
<tr><td>Director</td><td>Yanxiang Huang (Note 1)</td></tr>
<tr><td>Director</td><td>Ding Fu Investment Co., Ltd. Representative:Sheng-Bin Tseng</td></tr>
<tr><td>Independent Director</td><td>Fengyi Lin</td></tr>
<tr><td>Independent Director</td><td>Ching-Fu Chen</td></tr>
<tr><td>Independent Director</td><td>Yifan Miao (Note 1)</td></tr>
</table>

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

Range of Remuneration

Range of Remuneration	Director name			
	Total amount of the first four remunerations (A+B+C+D)		Total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company (Note 8)	Companies in the consolidated financial statements (Note 9) H	The Company (Note 8)	Companies in the consolidated financial statements (Note 9) I
Lower than 2,000,000	Yan-Yi Huang, Zhiwei Lai, Fengyi Lin, Ching-Fu Chen, Yifan Miao	Yan-Yi Huang, Zhiwei Lai, Fengyi Lin, Ching-Fu Chen, Yifan Miao	Yan-Yi Huang, Zhiwei Lai, Fengyi Lin, Ching-Fu Chen, Yifan Miao	Yan-Yi Huang, Zhiwei Lai, Fengyi Lin, Ching-Fu Chen, Yifan Miao
2,000,000 (inclusive) - 5,000,000 (exclusive)	Andrew Tseng , Chang-Yeh Tseng, Mei-Ching Tseng, Zhijia Chang, Cheng-An Lai, Yanxiang Huang, Ding Fu Investment Co., Ltd. Representative: Sheng-Bin Tseng	Andrew Tseng , Chang-Yeh Tseng, Mei-Ching Tseng, Zhijia Chang, Cheng-An Lai, Yanxiang Huang, Ding Fu Investment Co., Ltd. Representative: Sheng-Bin Tseng	Chang-Yeh Tseng, Mei-Ching Tseng, Zhijia Chang, Cheng-An Lai, Yanxiang Huang, Ding Fu Investment Co., Ltd. Representative: Sheng-Bin Tseng	Zhijia Chang, Cheng-An Lai, Yanxiang Huang, Ding Fu Investment Co., Ltd. Representative: Sheng-Bin Tseng
5,000,000 (inclusive) - 10,000,000 (exclusive)			-	Chang-Yeh Tseng
10,000,000 (inclusive) - 15,000,000 (exclusive)	-	-	-	-
15,000,000 (inclusive) - 30,000,000 (exclusive)	-	-	Andrew Tseng	Andrew Tseng, Mei-Ching Tseng
30,000,000 (inclusive) - 50,000,000 (exclusive)	-	-	-	-
50,000,000 (inclusive) - 100,000,000 (exclusive)	-	-	-	-
100,000,000 or more	-	-	-	-
Total	12 people	12 people	12 people	12 people

Note 1: Chang-Yeh Tseng, Yan-Yi Huang, Cheng-An Lai, tenure expired in the 18th Director on May 29, 2018; Zhiwei Lai and Yanxiang Huang effective in the 19th Director on May 29, 2018; Yi-Fan Miao effective in the 19th Independent Director on May 29, 2018.

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

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

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

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

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

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

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

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

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

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

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

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

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

Remunerations of the Supervisors

Unit: NT$ thousand；%

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (Note 8)		Remuneration from re-invested businesses other than subsidiaries (Note 9)
		Remuneration (A) (Note 2)		Bonus to Supervisors (B) (Note 3)		Remuneration from re-invested businesses other than subsidiaries (Note 9)				
		The Company	Companies in the consolidated financial statements (Note 5)	Remuneration from re-invested businesses other than subsidiaries (Note 9)	The Company	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements (Note 5)	
Supervisor	Chih Sheng Chang	-	-	6,013	6,013	420	420	0.50	0.50	Nil
Supervisor	Hsing Chun Chen (Effective on 2018.05.29)									
Supervisor	Mei-Li Chen (Tenure expired on 2018.05.29)									

Range of Remuneration

Range of Remuneration	Name of Supervisor	
	Total amount of the first three remunerations (A+B+C)	
	The Company (Note 6)	Companies in the consolidated financial statements (Note 7) D
Lower than 2,000,000	Hsing Chun Chen	Hsing Chun Chen
2,000,000 (inclusive) - 5,000,000 (exclusive)	Chih Sheng Chang, Mei-Li Chen	Chih Sheng Chang, Mei-Li Chen
5,000,000 (inclusive) - 10,000,000 (exclusive)	-	-
10,000,000 (inclusive) - 15,000,000 (exclusive)	-	-
15,000,000 (inclusive) - 30,000,000 (exclusive)	-	-
30,000,000 (inclusive) - 50,000,000 (exclusive)	-	-
50,000,000 (inclusive) - 100,000,000 (exclusive)	-	-
100,000,000 or more	-	-
Total	3 people	3 people

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

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

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

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

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

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

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

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

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

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

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

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

Remunerations of the management team

Unit: NT$ thousand；%

Title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonus and special fees (C) (Note 3)		Employee remuneration (D) (Note 4)				The sum of A, B, C and D as a percentage of after-tax net profit(%) (Note 8)		Remuneration from re-invested businesses other than subsidiaries (Note 9)
		The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	The Company	Companies in the consolidated financial statements (Note 5)	The Company		Companies in the consolidated financial statements(Note 5)		The Company	Companies in the consolidated financial statements(Note 5)	
								Cash	Stock	Cash	Stock			
General Manager	Andrew Tseng	6,310	8,518	-	-	4,059	4,777	17,233	-	17,233	-	2.13	2.36	Nil
Deputy GM, R&D Division	Jin-Chu Chen													
Deputy GM, Business Division	Yuan-Tsung Lin													
CFO	Nick Hung													

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

Range of Remuneration

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

Note 1: The General Manager's and the Deputy General Managers' names should be listed separately, and the payments should be consolidated for disclosure.
Note 2: The latest amount of the General Manager's and the Deputy General Managers' remunerations (including salary, job allowances and severance payment).
Note 3: The latest annual business execution expenses of the General Manager and the Deputy General Managers (including transportation costs, special expenses, various subsidies, dormitory expenses, car expenses and other physical provisions). In case of the provision of expenses for housing, cars and other means of transportation or exclusive personal expenses, please disclose the nature and cost of the assets provided, the actual or fair market price of the rent, gasoline and other payments. If a driver is provided, please indicate the Company's relevant remuneration to the driver, but the amount should not be included in the remuneration. According to IFRS 2's recognition of remuneration in "Share-Based Payments", the remuneration shall also include employee stock options, restricted-right employee shares and share subscription from participation in cash capital increase.
Note 4: The employee remuneration (including stock and cash) distributed to the General Manager or Deputy General Manager as passed by the Board of Directors in the latest year. If the amount cannot be estimated, it should be calculated based on the percentage of the actual amount distributed last year, and Appendix 1-3 should be filled out. Net profit after tax refers to the net after-tax profit for the latest year. If the International Financial Reporting Standards have been adopted, then it is the net after-tax profit of the individual company or the respective financial statement.
Note 5: The total remuneration paid by all the companies (including the Company) in the consolidated report to the Company's General Manager and Deputy General Managers.
Note 6: The total remuneration paid by the Company to each General Manager and Deputy General Manager; the General Manager's and the Deputy General Managers' names are to be disclosed in the respective tiers.
Note 7: The total remuneration paid by all the companies (including the Company) in the consolidated report to each of the Company's General Manager and Deputy General Managers should be disclosed, and the General Manager's and the Deputy General Managers' names should be disclosed in the respective tier.
Note 8: Net profit after tax refers to the net after-tax profit for the latest year. If the International Financial Reporting Standards have been adopted, then it is the net after-tax profit of the individual company or the respective financial statement.
Note 9: a. In this field the amount of remuneration paid to the General Manager or the Deputy General Managers by the Company's re-invested businesses other than the subsidiaries should be clearly indicated.
b. If the General Manager and Deputy General Managers receive remuneration from the Company's re-invested businesses other than the subsidiaries, such remuneration should be incorporated into column D of the Remuneration Tiers Table, and the name of the field should be changed to "All re-invested businesses".
c. Remuneration refers to the compensation, reward (including that for an employee, director or supervisor) and business execution expenses received by the Company's General Manager or Deputy General Manager for acting as a director, supervisor or manager of the Company's re-invested businesses other than the subsidiaries.
* The contents of the remuneration disclosed in this table are different from those in the Income Tax Law. Therefore, this statement is for the purpose of disclosure but not for taxation.

Managers with Employee Remuneration Distribution

Unit: NT$ thousand；%

	Title (Note 1)	Name (Note 1)	Stock Bonus	Cash Bonus	Total	Ratio of Total Amount to Net Income (%)
Management team	Chairman and General Manager	Andrew Tseng	-	33,511	33,511	2.59
	Deputy General Manager	Jin-Chu Chen				
	Deputy General Manager	Yuan-Tsung, Lin				
	CFO	Nick Hung				
	CLO	Chih-Lin Hung				
	Division Director	Du-Sheng Wang				
	Vice Division Director	Sheng-Chieh Hsu				
	Director	Ryan Chou				
	Director	Chia-lun Lin				
	Director	Yi-Ru Hu				
	Director	Duncan Aitken				
	Director	Yen-Lien Chen				
	Manager	Yi Chun Lee				

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

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

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

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

Comparison and explanation

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

Unit: %

Title	Ratio of Total Remuneration to Net Profit after Tax in 2018		Ratio of Total Remuneration to Net Profit after Tax in 2017	
	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report
Director	2.11	2.15	2.04	2.04
Supervisor	0.50	0.50	0.48	0.48
General Manager and Deputy General Managers	2.13	2.36	2.02	2.05

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

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

4. Implementation of Corporate Governance

(1) Operation of the board meeting

Nine board meetings were held in 2018, including 5 meetings (A) of the 18th term Board and the 4 meetings of the 19th term Board (A) (the 19th Director effective on 29th May, 2018. The attendance of Directors (including Independent Directors) is as follows:

Title	Name (Note 1)	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) [B/A](Note 2)	Remarks
Chairman	Andrew Tseng	9	0	100	Consecutive terms
Director	Chang-Yeh Tseng	3	0	60	Tenure expired on May 29, 2018; Actual Meeting should attended: 5 times
Director	Mei-Ching Tseng	9	0	100	Consecutive terms
Director	Yan-Yi Huang	0	0	0	Tenure expired on May 29, 2018; Actual Meeting should attended: 5 times
Director	Cheng-An Lai	0	1	0	Tenure expired on May 29, 2018; Actual Meeting should attended: 5 times
Director	Zhijia Chang	9	0	100	Consecutive terms
Director	Yanxiang Huang	4	0	100	Effective on May 29, 2018; Actual Meeting should attended: 4 times
Director	Zhiwei Lai	4	0	100	Effective on May 29, 2018; Actual Meeting should attended: 4 times
Director	Ding Fu Investment Co., Ltd. Representative: Sheng-Bin Tseng	9	0	100	Consecutive terms
Independent Director	Fengyi Lin	9	0	100	Note 3, Consecutive terms.
Independent Director	Ching-Fu Chen	9	0	100	Note 3, Consecutive terms.
Independent Director	Yifan Miao	4	0	100	Note 3, Effective on May 29, 2018; Actual Meeting should attended: 4 times

Other matters to be recorded:

1. If any of the following circumstances occurs in the operation of the board meeting, please indicate the date of the board meeting, the session number, the contents of the motion, the opinions of all independent directors and the Company’s handling of the opinions of the Independent Directors:

   (1) Matters listed in Article 14-3 of the Securities Exchange Act.
   For details, refer to the important resolutions of the board meetings.

   (2) Other than the aforementioned matters, the board resolutions which Independent Directors object to or have reservations about and there are records or written statements for them.

   The Company did not encounter any of the circumstances.

2. For the situation where a Director avoids a motion related to his/her own interests, please specify the director’s names, the contents of the motion, the reasons for the avoidance of interests and the voting results:

Item	Board meeting	Name of Director	Resolution Content	Reasons for the avoidance of interests	Voting Results
1	The 18th board meeting of the 18th-term Board of Directors Feb 22, 2018	Andrew Tseng, Chang-Yeh Tseng, Zhijia Chang	Appointment of representative director for the Company’s subsidiary Pro-Partner	Relation with personal interest	Vote withdrawal in accordance with the law
2	The 19th board meeting of the 1st-term Board of Directors Jun 11, 2018	Fengyi Lin, Ching-Fu Chen, Yifan Miao	Proposal on hiring members of the remuneration committee	Relation with personal interest	Vote withdrawal in accordance with the law
3	The 19th board meeting of the 2nd-term Board of Directors Aug 8, 2018	Fengyi Lin, Ching-Fu Chen, Yifan Miao	Adjustment on the remuneration and travel expenses of the 19th independent director of the Company	Relation with personal interest	Vote withdrawal in accordance with the law

3. The goals for strengthening the board's functions in the current and the previous year (e.g., establishment of an audit committee, promotion of information transparency, etc.) and assessment of the implementation:

(1) The goals for strengthening the board's functions

A. The Company established the "Corporate Governance Best Practice Principles" during the 4th Board of Directors' Meeting held by the 18th Board on Nov 10, 2015 to facilitate the full development of corporate governance initiatives and enhance the functions of the Board of Directors as well as amend the best practices during the 4th Board of Directors' Meeting held by the 19th Board on Jan. 25, 2019 in accordance with the current status of the Company. Article 20 of the "Corporate Governance Best Practice Principles" regulates the policy with regard to diversity of board members to complete the structure of the board. In addition, the members of the board currently include two female directors, who advocate women participation and completion of the board's structure.

B. The Company established a part-time ethical management unit, which is responsible for formulating, monitoring and executing ethical management policies and prevention plans, and reports to the Board of Directors periodically. The Company passed the resolution to uphold its corporate ethical management for 2018 during the 4th Board of Directors' Meeting held by the 19th Board on Jan 25, 2019.

C. In order to strengthen the functions of the Board of Directors and avoid controlling shareholders from not making decisions on maximizing shareholders' interests, the Company voluntarily set up 3 independent directors, which goes beyond compliance with the Securities Exchange Act. In addition, the independent directors' term of office should not exceed 9 years. Board members are prohibited from having such relationship more than two people, i.e., spouse or second-degree relative take board seats. There is no government agency or other single listing company (and its subsidiaries) accounted for one-third of the board seats.

D. The Company considered the pledge ratio of directors, supervisors and major shareholders too high, which could affect shareholders' equity. Hence, the Company hope that the average pledge ratio set by the directors, supervisors and major shareholders could be lower than 50%. The set pledge ratio of directors, supervisors and major shareholders in 2018 was 0%.

E. The Company encourages board members and supervisors to attend the shareholders' meeting to protect shareholders' equity. Six directors (including two independent directors) and two supervisors, that comprise more than 1/3 of the number of directors, attended the shareholders meeting in 2018. The chairman as well as all independent directors and supervisors were present (refer to shareholders meeting handbook on MOPS for details).

F. The Company encourage independent directors, internal audit managers and accountants to communicate separately or jointly through a meeting or forum that enables independent directors to function efficiently and have a more advanced understanding of the financial report, as well as financial and business conditions of the Company. In 2018, there was a separate discussion between independent directors and internal audit managers and accountants twice regarding the financial report and other issues.

G. A board meeting should be held to obtain consensus and make resolutions that enable board members to carry out their responsibilities effectively. The Company holds at least 6 board meetings every year. In 2018, 9 board meetings were held with a directors' attendance rate of 85%; at least two independent directors attended the board meeting in person. Apart from dealing with routine matters, the Board of Directors also periodically assesses the independency of certified accountants. Audit managers likewise attend the board meeting and submit an internal audit report to supervisors and independent directors for review.

H. The Company encourages directors to continue acquiring new knowledge and enhance response capability so they can assume their roles effectively as members of the board. In 2018, the Company had lecturers give courses on topics such as insider trading, corporate governance, corporate social responsibility, etc. to all directors and supervisors, which was helpful to business operations and also provided inspiration for dealing with business, strategies, management and governance. Directors and supervisors also pursued advanced studies individually on topics such as global economy and trading, internal control & risk management, and liability insurance. The hours spent on advanced studies in 2018 reached over 12 hours for new directors and over 6 hours for directors that had their term renewed.

I. The Company established the Compensation and Remuneration Committee to strengthen corporate governance. The members of the committee are all independent directors at present. Meetings are held at least twice a year. The committee assesses the policies and systems for the compensation and remuneration of directors, supervisors and managers based on professional outlook, and provide suggestions to the Board of Directors for their reference.

(2) Assessment of implementation: The Company holds a group business meeting every six months and explains the contents to the Board of Directors, so that the board of directors can better understand the actual operation of the group. The Company adheres to the principle of operational transparency and immediately publishes important resolutions on MOPS after the BOD meeting to safeguard shareholders' interests. In addition, each board meeting situation will be posted on the company's website (http://www.grapeking.com.tw) to enhance information transparency through instant disclosure.

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

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

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

Note 3: Attendance status of independent directors in 2018 Board of Directors meetings (V: attendance in person; ◎: delegated attendance; *: absence).

The 18th board meeting	1st (2018/01/26)	2nd (2018/02/22)	3rd (2018/03/09)	4th (2018/04/17)	5th (2018/05/07)
Fengyi Lin	V	V	V	V	V
Ching-Fu Chen	V	V	V	V	V

The 19th board meeting	Special 1st (2018/05/29)	1st (2018/06/11)	2nd (2018/08/08)	3rd (2018/11/13)
Fengyi Lin	V	V	V	V
Ching-Fu Chen	V	V	V	V
Yifan Miao	V	V	V	V

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

Supervisors' participation in the operation of Board of Directors meetings:

A total of 9 meetings of the Board of Directors were held in 2018, including 5 meetings (A) of the 18th term Board and 4 meetings (A) of the 19th term Board (the 19th Supervisors effectived on May 29, 2018). The attendance of supervisors was as follows:

Title	Name	Actual no. of meetings attended (B)	Actual attendance rate (%) (B/A)	Remark
Supervisor	Chih-Sheng Chang	9	100	Consecutive terms
Supervisor	Mei-Li Chen	5	100	Tenure expired on May 29, 2018; Actual Meeting should attended: 5 times
Supervisor	Hsing Chun Chen	4	100	Effective on May 29, 2018; Actual Meeting should attended: 4 times

Other matters to be recorded:

1. Composition and responsibilities of Supervisors:

(1) The Company has selected two supervisors in accordance with the law to supervise the execution of procedures related to accounting, audit, financial reports as well as quality and integrity of financial control. Their main function is to exercise authority according to The Company Act and help the Board of Directors enhance quality of supervision of the Company's accounting, financial reports, internal control procedures, etc. The audit managers submit the internal audit report to the Board of Directors, as well as supervisors for review.

(2) Communication between supervisors and company employees or shareholders (for example, communication channels, methods, etc.):

When the Company holds a shareholders meeting, the supervisors are also in attendance to facilitate communication among all parties present.

On the Company's website, "shareholder's area" and "Contact Us" with dedicated staff responding to issues of concern to shareholders have been set up. The Company also has an opinion mailbox that allows employees to anonymously give their feedback on the Company's system. The Company has an exclusive unit to handle these suggestions or issues raised by shareholders or employees, which are collated, selected and reported to the supervisors.

(3) Communication between supervisors and internal audit managers and accountants (for example, issues, methods, results, etc. regarding financial or business situations affecting the Company):

Supervisors as well as internal audit managers are invited to attend the board meeting to allow them to discuss and deliberate on important matters that affect the Company's business and operations. In addition, supervisors will consult relevant questions on company business with the internal audit managers irregularly and the internal audit managers will reply properly. Certified accountants are also invited to attend 1 or 2 board meetings each year to report their audit results to the directors and supervisors or share other information. The contact information of the certified accountants is provided publicly. In conclusion, supervisors and internal audit managers or accountants can communicate with each other at all times.

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

Note ：

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

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

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

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>YES</th><th>NO</th><th>Abstract Illustration</th></tr>
<tr><td>1.Does the company follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and has the company established and disclosed its own Corporate Governance Best Practice Principles?</td><td>V</td><td></td><td>The Company has its “Corporate Governance Best Practice Principles” which protect the interests of shareholders, strengthen the functions of the Board of Directors, fulfill the functions of the supervisors, respect the rights and interests of interested parties and enhance the transparency of information. Please refer to our website for the Corporate Governance Best Practice Principles.</td><td>No major difference</td></tr>
<tr><td>2.The company's shareholding structure and shareholders' equity
(1) Has the company set up internal operating procedures to handle shareholder proposals, doubts, disputes and litigation matters and followed the procedures?
(2) Does the company have a list of its major shareholders and the ultimate controllers of the major shareholders?
(3) Has the company established and implemented risk management and firewall mechanisms with its affiliates?
(4) Has the company set up an internal standard to prohibit the insiders’ use of private information to trade securities?</td><td>V</td><td></td><td>(1) The Company has a spokesman, acting spokesman, corporate action staff, legal staff, etc. to deal with shareholders' suggestions, disputes and other issues.
(2) The Company constantly keeps track of the shareholdings of the Directors, Supervisors and majority shareholders holding more than 10% of the Company’s shares, and declares major shareholders’ shareholdings on a monthly basis.
(3) The Company has established a monitoring method and internal control over its subsidiaries in accordance with the law and carries out risk control.
(4) The Company has a "Code of Integrity Practice" which prohibits the insiders’ use of private information to trade securities, and at least once a year educates the insiders on the prohibition of the use of private information to trade securities.</td><td>No major difference</td></tr>
<tr><td>3.The composition and duties of the Board of Directors
(1) Has the Board of Directors formulated a diversified approach based on the composition of its members and implemented it?</td><td></td><td>V</td><td>(1) The Company adopted the “Corporate Governance Best Practice Principles” in the 4th meeting of the 18th term Board of Directors on November 10, 2015. A diversification policy was formulated in Article 20 of “The Board's Overall Competence Requirements.
The members of the Board of Directors of the Company are diversified. Among the 9 current directors, 2 are female, accounting for 22.22% of all board members. In addition, the directors and independent directors also include PhDs in business management, university professors and people with extensive business experience in various industries for many years. The diversification of the directors is as follows:
<table>
<tr><th>Diversified Core Projects / Director Name</th><th>Gender</th><th>Business Management</th><th>Leadership & Decision</th><th>Industry Knowledge</th><th>Financial Accounting</th><th>Legal</th></tr>
<tr><td>Andrew Tseng</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Mei-Ching Tseng</td><td>Female</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Zhijia Chang</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Zhiwei Lai</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Yanxiang Huang</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Ding Fu Investment Co., Ltd. Representative ：Sheng-Bin Tseng</td><td>Male</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Fengyi Lin</td><td>Male</td><td>V</td><td></td><td></td><td>V</td><td></td></tr>
<tr><td>Ching-Fu Chen</td><td>Male</td><td>V</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Yifan Miao</td><td>Female</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td></tr>
</table></td><td>The Company has not yet established a board performance appraisal method, which will be determined in the future according to actual needs and with the relevant laws and regulations.</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Abstract Illustration	
(2) Has the company set up other types of functional committees voluntarily in addition to the remuneration committee and the audit committee according to law? (3) Has the company set up a performance appraisal method and an assessment method for the Board of Directors, and conducted performance appraisal on a regular basis every year? (4) Does the company regularly evaluate the independence of its certifying accountants?			The policy of the Board of Directors on the diversification of its members is disclosed on the Company's website and MOPS. (2) In accordance with the requirements of its operations, the Company also set up the Engineering Supervision Committee, the Food Safety Team and the Corporate Social Responsibility Committee to carry out their duties on a regular basis. (3) The performance appraisal method for the Board of Directors and its assessment method are still being developed (4) The Company assesses the independence of its certifying accountants on a yearly basis. The latest results were submitted and passed in the Board of Directors on February 25, 2019. CPA Mars Hong and CPA Julia Lo of Ernst & Young both meet the Company's independence assessment criteria and are eligible as the Company's certifying accountants. The accounting firm also issued a letter of declaration.	
4.Has the TWSE/TPEx listed company set up a dedicated (or concurrent) corporate governance unit or appointed personnel responsible for corporate governance related matters (including but not limited to providing the directors and supervisors with required information to carry out their business, handling corporate registration and change of corporate registration related matters and taking the minutes of board meetings and shareholders' meetings)?	V		The appointment of chief financial officer (CFO) Nick Hung as the Company's chief corporate governance officer along with the Finance Division's designation as part-time unit was approved in the the 3rd board meeting of the 19th-term Board of Directors on Nov 13, 2018. Nick Hung has over three year experience in financial, legal, and stock service related field, and managers of the Company. The terms of reference of the Company's corporate governance unit are listed as follows: - To propose recommendations on corporate governance to the board or the general manger for reference and execution - To assist in matters related to the board or shareholders' meetings in accordance with the law - To produce board or shareholders' minute meetings - To assist directors and supervisors in completing registration and declarations in accordance with the provisions - To assist directors and supervisors in advanced studies and compliance with statutory requirements - To assist directors and supervisors with required information for the execution of duties - Other matters prescribed by the Articles of Incorporation and the law Business execution situation in 2018 is listed as follows: 1. Understand the revision and update of the relevant provisions of corporate governance, and incorporate the comprehensive assessment of the actual operating conditions of the Company, provide suggestions for improvement to the Board of Directors and the general manager, and assist in the implementation, in order to further provide corporate governance quality. 2. To assist in the 9 meetings of the Board of Directors and 1 meeting of the shareholders' meeting in accordance with the law, to resolve the requirements of the various laws and important matters of the Company's operations, and to complete the minutes of the Board of Directors and the shareholders' meeting. 3. To assist directors and supervisors in completing the registration of changes and reporting of various information in accordance with the law 4. To assist directors and supervisors in arranging courses in accordance with the company's industry characteristics, the background of the academic experience of the directors and supervisors, so that the supervisors can perform their duties. In accordance with the provisions of the newly added or re-	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Abstract Illustration	
			vised laws and regulations, which shall be constantly updated for the directors and supervisors' compliance 5. Provide the necessary information to directors and supervisors to fulfil their duties in order to provide operational recommendations on the Company 6. Assist in the completion of other matters related to corporate governance as the Company's Articles of Incorporation and relevant laws	
5.Has the company established a communication channel with interested parties (including but not limited to shareholders, employees, customers and suppliers), set up an interested party page on the company's website, and responded appropriately to interested parties concerning important corporate social responsibility issues?	V		The Company set "Interested party page", "Contact Us" mailbox, a consumer service hotline and an internal "employee mailbox" on the Company's website, provide shareholders and investors a communication channel, product inquiry services and OEM services, as well as a report mailbox for suppliers and employees for communication of corporate social responsibility issues. Concerns of interested parties are responded to by the respective personnel of the Company. Important issues related to corporate social responsibility which stakeholders cared are disclosed in the "interested party page" of the Company's website. (http://www.grapeking.com.tw).	No major difference
6.Does the company appoint a professional stock agency to handle shareholders' meeting related affairs?	V		The Company appointed Capital Securities Corp. as the stock agency to handle shareholders' meeting related affairs	No major difference
7.Information disclosure (1) Has the company set up a website to disclose financial and corporate governance information? (2) Does the company adopt other information disclosure methods (such as setting up an English website, appointing a dedicated person responsible for the collection and disclosure of company information, implementing the spokesman system, and posting the company's corporate briefing process on the website, etc.)?	V		(1) The Company discloses the relevant information on its website (http://www.grapeking.com.tw). (2.1) The Company's English website is as follows: https://www.grapeking.com.tw/index.php/en/home (2.2) The Company has appointed a dedicated person to be responsible for the collection and disclosure of the Company's information, and has implemented the spokesman system in accordance with the requirements. (2.3) If the Company participates in a corporate briefing session, it will disclose the information on "MOPS" and post the briefing presentation on the Company's website afterwards.	No major difference
8.Does the Company have any other important information (including but not limited to employees' rights, employee care, investor relations, supplier relationship, rights and interests of interested parties, training for directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?	V		(1) Employee rights and interests and employee care: The Company attaches great importance to the harmony of labor relations and the welfare and rights of employees. It continuously enhances the staff welfare system and the working environment and its quality, including employee meals, health checks, bonuses, travel ... and so on, so that employees can enjoy a sound welfare system and job security. (2) Investor relations: The Company continues to maintain good interaction with investors by disclosure of financial information, regular communication through various activities (e.g., corporate briefings, overseas roadshows and broker-organized investor conferences) to communicate and exchange with investors. Investor feedback is also provided to the Company's executives and related units for improvement and adjustment. In the future, the Company will continue to strengthen investor relations and maintain good communication and exchange with investors. (3) Supplier relationship: Food safety is the first priority of any procurement. Raw material suppliers must be in the Government's "Food Industry Registration System", and purchases are made with registered manufacturers only without having the price as the only consideration. Through the Company's supplier appraisal process, in addition to reviewing relevant information of suppliers, and conducting on-the-spot inspections to assess whether they are suitable, as a basis for follow-up control and counseling, and to establish sustainable supply chain management mechanism. (4) Rights and interests of interested parties: We provide a wide range of communication and information disclosure channels, maintain a good dialogue and communication with interested parties collect in-	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	YES	NO	Abstract Illustration	
			formation on the concerns of interested parties, and check whether we respond to the interested parties through the activities we perform. Please refer to the Corporate Social Responsibility Report of the Company for the concerns and our response. The relevant websites are linked as follows: https://www.grapeking.com.tw/tw/csr/reports. (5) Training for the directors and supervisors: This is carried out in accordance with TSE's "Key Points for the Promotion of Training for Directors and Supervisors of TWSE/GTSM Listed Companies". Please refer to the appendix "Directors' and Supervisiors' Training in 2018" (Note). (6) Implementation of risk management policies and risk measurement standards: The Company's major operation policies, investments, endorsements and guarantees, loans and bank financing are subject to the assessment of appropriate authorities and the approval of the Board of Directors. The Audit Department also draws up its annual audit plan in accordance with the risk assessment results to implement the monitoring mechanism and risk management. (7) Implementation of customer policy: To provide consumers with real-time product consulting services, the Company set up a customer service hotline and a customer service email address to communicate with customers and safeguard their interests. (8) Purchase of liability insurance for directors and supervisors: The Company has purchased "Liability Insurance for Directors, Supervisors and Important Staff" for its Directors and Supervisors.	
9.Please state the improvements made to the items in the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd., and indicate the enhancement and improvement measures for the items not yet improved (not applicable if not included as a company to be evaluated). The Company was ranked top 20% of the 2017 Corporate Governance Evaluation Award by the Taiwan Stock Exchange Corporate Governance Center (all 864 listed companies), and has revised its Corporate Governance Best Practice Principles in accordance with the amended Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies by Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange (TPEx). In addition, an "ethical corporate management part-time unit" has been set up in 2018 to foster corporate governance, promote the implementation of ethical corporate management, integrity and moral values, and to enhance business operations.				

Note 1: 2019 Evaluation of the independence of the auditing CPA and Grape King Bio Ltd. (including subsidiaries)

According to the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10 "Integrity, Objectivity and Independence", the assessment is as follows:

Independence		Compliance with independence	
Item	Explanations	YES	NO
1	The Professional accountants should avoid and should not accept the engagement when they may have involved in any direct or material indirect interests which may impair their impartiality and independence.	V	
2	The audit or review of financial statements provides a wide range of potential report users for a high or medium but not absolute assurance. Except for maintaining substantial independence, maintaining formal independent for CPA is more important. Therefore, audit service team members, other joint certified public accountants, firms and firm-related companies must maintain independence for audit clients.	V	
3	A CPA shall serve the society with integrity and objective standpoint and keep independent spirit. (1) Integrity: A professional accountant shall be straightforward and honest in all professional and business relationships. (2) Objectivity: A professional accountant shall not be bias, conflict of interest or undue influence of others to override professional or business judgments. (3) Independence: A professional accountant shall have independence of mind and in appearance, to express an opinion on financial statements for the work of auditing or review.	V	
4	Independence is related with the integrity and objectivity. In the lack of or impairment of independence, the integrity and objectivity could also not be held.	V	
5	Independence may be impaired by self-interest, self-review, advocacy, familiarity and intimidation.	V	
6	The self-interest could impair on the accountant's independence. The self-interest threat means to acquire a financial interest in an audit client or has another	V	

Independence		Compliance with independence	
Item	Explanations	YES	NO
	conflict of interest created by other interests or relationships with the client. The self-interest may be as follows: (1) Having a direct or material indirect financial interest in the audit client. (2) Financing or guarantees with audit clients or their Directors or Supervisors. (3) Being concerned about the possibility of losing a significant client. (4) Having a significant close business relationship with an audit client. (5) Entering into a potential employment negotiations with the audit client. (6) Entering into a contingent fee arrangement relating to an audit engagement.		
7	Independence is influenced by self-review threat means that a professional accountant uses the reports or judgments that result from the non-assurance services as an important factor of concluding the result in auditing or reviewing the financial information; or a member of the audit team is an audit client's former director or, supervisor or is in a key position to influence the audit engagement. Examples of circumstances that create self-review threats for a professional accountant include: (1) A member of the assurance team being, or having been a director, or supervisor of the client, or employed by the client in a position to exert significant influence over the subject matter of the engagement within the last two years. (2) The non-assurance service which performed by the firm for an audit client that would affects directly a material item of the assurance engagement	V	
8	Independence is influenced by advocacy threat means that a member of the audit team acting as an advocate in support of the client's position that results in objectivity challenged. Examples of circumstances that create advocacy threats for a professional accountant include: (1) The firm promoting or brokering shares in an audit client or other securities issued by the client. (2) Besides legally permitted businesses, a professional accountant acting as an advocate on behalf of an audit client in litigation or disputes with third parties.	V	
9	The effect on independence of familiarity means that a close relationship with an audit clients' director, supervisor and manager will influence a CPA or a member of the audit engagement team to excessive concern or sympathize with the audit clients' interests. Examples of circumstances that create familiarity threats for a professional accountant include: (1) A member of the engagement team having a close or immediate family member who is a director, supervisor, or officer of the client or an employee of the client who is in a position to exert significant influence over the subject matter of the engagement. (2) A former partner within one year of disassociating from the firm joins the client as a director, supervisor, or officer or is in a key position to exert significant influence over the subject matter of the engagement. (3) A professional accountant accepting gifts or preferential treatment from the client, the client's director, supervisor, officer or major stockholder.	V	
10	Independence is influenced by intimidation threat. The threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the professional accountant. Examples of circumstance that create intimidation threats for a professional accountant include: (1) A member of the audit engagement team being informed by a partner of the firm agrees with an audit client's inappropriate accounting treatment. (2) A firm being pressured to reduce inappropriately fees, in order to compel the firm to reduce the extent of work performed.	V	

In summary, Ernst & Young did not violate the independence.

Note 2: Statement by Ernst & Young Accounting Firm

Annual Independence Communication

TO GRAPE KING BIO LTD.

We have engaged to audit the accompanying parent company only financial statements and consolidated financial statement of Grape King Bio Ltd. (the “Company”) as of December 31, 2019 and for the year then ended.

In accordance with the auditing standards generally accepted in the Republic of China, we report that we have complied with relevant ethical requirements regarding independence and all relationships and other matters that may reasonably be thought to bear on the auditor’s independence, and where applicable, related safeguards.

We are not aware of any relationships or other matters that may reasonably be thought to bear on our independence.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Company and should not be used for any other purposes.

Hong, Mao-Yi

Lo, Hsiao-Chin

ERNST & YOUNG
February 25th, 2019
Taipei, Taiwan,
Republic of China

Note 3: Directors' and Supervisors' Training in 2018

Title	Name	Date	Organizer	Course	Hours
Chairman	Andrew Tseng	2018.11.21	Taiwan Institute of Directors	The 7th Annual Chinese Family Business Forum	3
		2018.11.13	Taiwan Institute of Directors	CSR New approach on corporate governance -- implementation of corporate governance and CSR	3
		2018.09.14	Taiwan Corporate Governance Association	The invisible hand behind corporate governance — secretary of the company operating practice	3
		2018.08.08	Taiwan Institute of Directors	The practice of insider trading and the impact of the latest corporate law amendments	3
		2018.07.03	Taiwan Institute of Directors	The 2018 Annual Conference of the Taiwan Institute of Directors	3
		2018.07.03	Taiwan Institute of Directors	Formal dinner at the 2018 Annual Conference of the Taiwan Institute of Directors — Taiwan encountering new global economics and trade landscape	3
Director	Mei-Ching Tseng	2018.11.13	Taiwan Institute of Directors	CSR New approach on corporate governance -- implementation of corporate governance and CSR	3
		2018.08.08	Taiwan Institute of Directors	The practice of insider trading and the impact of the latest corporate law amendments	3
Director	Zhijia Chang	2018.11.13	Taiwan Institute of Directors	CSR New approach on corporate governance -- implementation of corporate governance and CSR	3
		2018.08.08	Taiwan Institute of Directors	The practice of insider trading and the impact of the latest corporate law amendments	3
Director's corporate representative	Sheng-Bin Tseng	2018.11.13	Taiwan Institute of Directors	CSR New approach on corporate governance -- implementation of corporate governance and CSR	3
		2018.08.08	Taiwan Institute of Directors	The practice of insider trading and the impact of the latest corporate law amendments	3
Director	Zhiwei Lai	2018.12.11	Taiwan Corporate Governance Association	Enterprise management and new crisis management strategies	3
		2018.11.13	Taiwan Institute of Directors	CSR New approach on corporate governance -- implementation of corporate governance and CSR	3
		2018.08.08	Taiwan Institute of Directors	The practice of insider trading and the impact of the latest corporate law amendments	3
		2018.07.20	Taiwan Corporate Governance Association	Enterprise internal control and risk management -- analysis of the top 10 global risks in 2018	3
Director	Yanxiang Huang	2018.12.21	Taiwan Academy of Banking and Finance	Seminar on corporate governance and corporate sustainability	3
		2018.11.21	Taiwan Institute of Directors	The 7th Annual Chinese Family Business Forum	3
		2018.11.13	Taiwan Institute of Directors	CSR New approach on corporate governance -- implementation of corporate governance and CSR	3
		2018.08.08	Taiwan Institute of Directors	The practice of insider trading and the impact of the latest corporate law amendments	3
Independent Director	Fengyi Lin	2018.11.13	Taiwan Institute of Directors	CSR New approach on corporate governance -- implementation of corporate governance and CSR	3
		2018.08.08	Taiwan Institute of Directors	The practice of insider trading and the impact of the latest corporate law amendments	3
Independent Director	Ching-Fu Chen	2018.12.14	Taiwan Corporate Governance Association	Ways to maximize the functions of directors and implement corporate governance	3
		2018.11.13	Taiwan Institute of Directors	CSR New approach on corporate governance -- implementation of corporate governance and CSR	3
Independent Director	Yifan Miao	2018.11.13	Taiwan Institute of Directors	CSR New approach on corporate governance -- implementation of corporate governance and CSR	3
		2018.10.25	Chinese National Association of Industry and Commerce, Taiwan (CNAIC)	The impact of recently revised labor laws on business operations	3
		2018.08.08	Taiwan Institute of Directors	The practice of insider trading and the impact of the latest corporate law amendments	3
		2018.07.27	Taiwan Corporate Governance Association	Tax issues before and after M & A	3

Title	Name	Date	Organizer	Course	Hours
		2018.07.20	Taiwan Corporate Governance Association	Enterprise internal control and risk management -- analysis of the top 10 global risks in 2018	3
Supervisor	Chih Sheng Chang	2018.11.13	Taiwan Institute of Directors	CSR New approach on corporate governance -- implementation of corporate governance and CSR	3
		2018.08.08	Taiwan Institute of Directors	The practice of insider trading and the impact of the latest corporate law amendments	3
Supervisor	Hsing Chun Chen	2018.11.13	Taiwan Institute of Directors	CSR New approach on corporate governance -- implementation of corporate governance and CSR	3
		2018.08.31	Taiwan Corporate Governance Association	Legal responsibility and case study of insider trading	3
		2018.08.17	Taiwan Corporate Governance Association	Vital defensive measure of corporate finance -- the board of supervisors liability insurance	3
		2018.08.08	Taiwan Institute of Directors	The practice of insider trading and the impact of the latest corporate law amendments	3

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

(i) Remuneration Committee Member Information

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

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

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

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

(ii) Remuneration Committee Operation Status

1. The Company's Remuneration Committee is composed of three people.
2. Current member's tenure: From Jun 11, 2018 to Jun 10, 2021. In 2018 the Remuneration Committee held three meetings (A) (Meeting held by the 3rd Remuneration Committee, with its term from July 9, 2015 to May 29, 2018), and the member qualifications and attendance are as follows:

Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) (B/A)	Remarks
Convener	Fengyi Lin	3	0	100	Consecutive terms
Member	Ching-Fu Chen	3	0	100	Consecutive terms
Member	Shuo-Lun Chou	2	1	67	Tenure expired on May 29, 2018; Actual Meeting should attended: 3 times
Member	Yifan Miao	0	0	-	Effective on Jun 11, 2018; Actual Meeting should attended: 0 times

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

Date	Matters for Discussion	Resolution and Opinion of the Company
2018.01.26	Motion 1: Set up the managers year-end bonus for 2017 Motion 2: Set up the "2018 Annual Excessive Profit Bonus Scheme" for Shanghai Grape King Enterprises Corp.,	Motion 1： After the moderator's consultation with all the attending members, the case was passed and the proposal was submitted to the Board of Directors for discussion. Motion 2: After the moderator's consultation with all the attending members, the case was passed and the proposal was submitted to the Board of Directors for discussion. It was recommended that the distribution of the Excessive Profit Bonus in 2018 be calculated based on employment ratio when paid in 2019.
2018.02.22	Issues on remuneration of employees and distribution of remuneration of directors and supervisors of the Company in 2017	After the moderator's consultation with all the attending members, the case was passed and the proposal was submitted to the Board of Directors for discussion.
	Extemporary motion: Revision of the Company's "Employee Compensation Management Procedure"	After the moderator's consultation with all the attending members, the case was passed and the proposal was submitted to the Board of Directors for discussion.
2018.05.07	The Company's 2018 managerial officer compensation	After the moderator's consultation with all the attending members, the case was passed and the proposal was submitted to the Board of Directors for discussion.

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

(5) Corporate Social Responsibility (CSR):

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Abstract Explanation	
1. Implementation of Corporate Governance (1) Has the company set up a corporate social responsibility policy or system and a review of the implementation effectiveness? (2) Does the company regularly conduct social responsibility education and training? (3) Has the company set up a dedicated (or concurrent) corporate social responsibility promotion unit which is authorized by the Board of Directors to be managed by the high-level management and reports to the Board of Directors? (4) Has the company formulated a reasonable remuneration policy and combined the staff performance appraisal system with the corporate social responsibility policy, and set up a clear and effective reward and punishment system?	V		(1) The Company had passed the "Corporate Social Responsibility Best Practice Principles of Grape King Bio Ltd." and taken CSR-related initiatives in 2015. The Company is aiming for a sustainable development which is promoted and implemented through the six goals of corporate governance, product responsibility, R&D, happy workplace, prosperous society and a green environment. Main tasks are as follows: - Compose and revise the CSR report - Plan and implement the annual plan of CSR - Review and report the effectiveness of implementation and ways of improvement on a regular basis (2) The Company conducts social responsibility promotion to employees on a regular basis, and promotes corporate social responsibility through posters, internal webpages, and publications. (3) The Company has a "Corporate Social Responsibility Committee" under the General Manager's Office which actively responds to and promotes social welfare activities, and has included corporate social responsibility so as to implement the spirit of corporate social responsibility. Each year, the information is gathered and reported to the Board of Directors. (4) As the Article of Incorporation, the Company should make provision based on Income Before Tax (Employee Bonus and Remuneration to Director and Supervisor excluded) for 6%-8% as employee bonus, and the performance appraisal system shall include corporate social responsibility in the performance appraisal. In addition, the employee performance appraisal is conducted at the end of the year, through the initial goal setting as well as mid-term and end-of-term assessment interviews. The assessment results are used as the basis for promotion and remuneration.	No major difference
2. Development of Sustainable Environment (1) Is the company committed to improving the efficiency in the use of resources, and the use of recycled materials with low environmental impact?	V		(1) 1. Advocate energy conservation: Enhance employees' awareness of environmental protection and energy conservation through actively encouraging carbon reduction schemes in the office 2. Reduction of greenhouse gases: introduce green energy by implementing solar panels 3. Enhance pollution prevention measures: replacing the boiler fuel with natural gas to reduce environmental pollution; air pollution control system supplemented to the wastewater treatment plant to improve environmental quality 4. Promote green purchase: adopt products with environmental protection label, energy conservation label and water conservation label; new plants are expected to import green building label.	No major difference

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Abstract Explanation	
			5. Develop information management: import digitalized management system, reduce unnecessary paper waste, and move towards a paperless goal. 6. Maintenance of the ISO14000 management system: optimize and review various environmental management practices through the operation of the environmental management system. Continuous improvement approach for long-term operation is adopted.	
(2) Has the company established an appropriate environmental management system according to its industrial characteristics?			(2) 1. Compliance with the regulatory obligations: abide by relevant environmental laws and regulations, and comply with regulatory obligations in all aspects of the environmental management system. Identifying environmental laws and complying with respective regulations on time. Environmental management shall be conducted in a manner superior to the law. 2. Risk reduction: a monitoring system is introduced to control the operation efficiency of waste water system timely through remote monitoring. The waste water system facilities are operated by external professional manufacturers to reduce the risk of environmental hazards. 3. Implementation of environmental protection: actively evaluate and plan waste reduction and prevention of potential pollution; Carry out our emphasis on corporate social responsibility by taking the initiative to participate in street sweeping activities or social events of neighboring communities. 4. Friendly workplace environment: green procurement and adoption of green and clean energy. 5. Encouraging active participation: actively introduce carbon reduction schemes in the office and implement the environmental management system with full participation. 6. Continuous cycle improvement: with reference to the core value of ISO14001 environmental management system, adopt PDCA management mode to continuously improve the risks and opportunities of the environmental management system to ensure that sustainable operation in achievable in an environmentally friendly environment.	
(3) Is the company aware of the impact of climate change on its operations, and has it implemented greenhouse gas checking and developed a strategy for reduction of energy consumption and carbon emission as well as greenhouse gas reduction?			(3) 1. Energy saving target Grape King Bio Ltd., as an indicative domestic biotech firm in the industry, takes the initiative to response to the energy conservation and carbon reduction scheme of the government since June 2018. We have participated in the "promote energy conservation and carbon reduction activity plan 2018". Alongside with the required aim of 1% reduction of carbon emission by the ministry of economic affairs bureau of energy, we target at a 5% reduction as a whole, as a preparation for the introduction of ISO 50001 energy management system in 2019. By the end of the implementation of energy saving and carbon reduction scheme, the total carbon emission was reduced by	

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Differences with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
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296,450kg, saving about NT$915,349 in electricity charge, the electricity saving rate was 14% in 2018 compared with that of 2017.
2. Carbon reduction stragegies
In addition to setting power-saving goals, in order to achieve the goal of a sustainable development of the enterprises and reduce global warming efforts, the issue of reducing CO2 emissions from various energy sources is also of great concern. Annual emissions reports are based on the consumption of fuel oil, natural gas, and electricity and other energy consumption of factories in Pingzhen and Zhong-li. In alignment with production scheduling, the Company will execute the scheme to replace boiler combustion system for natural gas for the Zhong-Li factory in 2019. It is estimated that the total natural gas energy consumption of the Company will then account for 35% from 4%.
The carbon emissions in the past three years are as follows:
<table>
<tr><th>Year</th><th>Carbon emission (kg)</th><th>Plant</th></tr>
<tr><td>2016</td><td>9,379,894 (Note 1)</td><td>Zhongli plant</td></tr>
<tr><td>2017</td><td>14,748,630</td><td>Zhongli plant, Pingzhen plant</td></tr>
<tr><td>2018</td><td>14,716,097 (Note 2)</td><td>Zhongli plant, Pingzhen plant</td></tr>
</table>
Note 1: The Pingzhen plant was relocated in September, 2016. Therefore, the carbon emissions in 2016 are only the data of the Zhongli plant.
Note 2: In 2018, the Company's total production weight increased by 1,193,444 kg compared with that 2017, the relative process equipment power and boiler heavy oil consumption increased. In 2018, the overall carbon emissions decreased after the company implemented comprehensive energy conservation and carbon reduction activities.
3. The Company promotes energy-saving measures
In 2018, the Company pushed forward numerous energy saving and carbon reduction activities throughout the Company with the goal of "changing personal behavior mode". We segmented the scheme into both short-term and middle-term. Our short-term goal was to 1. Achieve 5% of energy consumption reduction as required by the ministry of economic affairs, bureau of energy. 2. To reduce NT$250,000 in electricity costs during the implementation period.
Our middle-term targets include 1. Disclose the achievements of low-carbon emission in the CSR report in 2018. 2. Prepare for the introduction of ISO 50001 energy management system in 2019. The effect of implementation was as follows:
(1) Lighting system energy saving measures: through automatic timing control of the light control system, employees can establish the good habit of turning off the light at will, and adjust the opening and closing of space lighting according to the needs of different environments, so as to
</td><td></td></tr>
</table>

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Abstract Explanation	
			achieve energy saving and carbon reduction. The measure reduced energy consumption by 58,765 degrees per year, electricity charge by NT$235 thousand and the average rate of electricity saving was 65%. (2) Energy-saving measures for air conditioning system — The central monitoring system will monitor all the equipment running status, and alarm in situation of abnormality. It will also automatically switch on/off with the setting. Annual maintenance plan is also set up and applied, through this regular maintenance of water host, air conditioning box and blower, air conditioning efficiency is able to be optimized and usage of the equipment can be extended. This measure reduced energy consumption by 57,365 degrees per year, electricity charge of NT$229 thousand, with a power saving rate of 2.2% on average. (3) Energy-saving measures for office air conditioning — The measure reduced the compression time required to reach the targeted room temperature of 26℃. Allowing make the office air conditioning to quickly reach the set temperature. This measure saves 154,752 degrees of energy consumption per year and NT$619 thousand electricity charge. (4) Energy saving measures for waste heat recovery of steam condensed water — Steam is one of the indispensable energy for food factory, playing key roles in the heating and sterilization of the equipment. High temperature water leading back to the boiler make-up water tank through the heat recovery unit can improve the water preheating temperature, increase speed of boiler preheat and combustion to the desired pressure and temperature. This resulted in lower costs in fuel and raw water treatment, processing roughly 151,213 kg of condensed recycled water per year and reduced water disposal by NT$239 thousand. (5) Green energy — In 2018, the Company set up a solar panel power generation device in the health energy pavilion, and then transmitted it to the load through the cable line, serving as the energy source for parts of the lighting lamps. This scaled down about 6,663 degrees of electricity per year, and reduced NT$ 26 thousand in electricity charge.	
3. Social welfare (1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		(1) The Company has an Employee Welfare Committee which regularly holds labor meetings in accordance with the law and has developed employee rules, and formulates the “Grape King Bio Ltd. Human Rights Policy” with reference to the international human rights convention. The Company values and advocates diversity and integration of its employees. We are committed to provide equal opportunities without discrimination or any forms of discrimination against race, gender, color, nationality or social origin, ethnicity, religious belief and age. We provide a safe and healthy working environment for each member of the workforce. The Company complies with all employment and labor laws and regulations, prohibits forced labor and hired child,	No major difference

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Abstract Explanation	
			and is committed to maintain a workplace free from violence, harassment, intimidation and other internal or external threats, and provides employees with appropriate safety protection.	
(2) Has the company set up an employee complaint mechanism and channel, and properly handles employee complaints?			(2) The Company has established various types of employee complaint mechanisms and channels, including physical and virtual mailboxes. In addition, the Company from time to time holds interviews with new and existing employee to enhance communication channels. An employee satisfaction survey is held every year to ensure that their voice can be heard.	
(3) Does the company provide a safe and healthy working environment for employees and regularly carry out safety and health education for employees?			(3) The Company regularly checks fire and sanitation equipment, and has a health center, factory nurses and AED equipment, and regularly holds health checks for in-service workers and conducts labor safety and health training every year to establish a sense of safety.	
(4) Has the Company established a mechanism for regular employee communication and keep them informed in a reasonable manner of the changes in the operation which may have a significant impact on the employees?			(4) The Company has set up an Employee Opinion Box for employees in order to respond to their comments at any time, and to inform employees via notices of the changes which may have a significant impact on the operation.	
(5) Has the company developed an effective training program for employees?			(5) The Company's efforts have been directed toward the improvement of both the Company's operations and its employees' careers. The Company encourages employees to participate in various learning opportunities, and employees are willing to provide feedback to the Company on the knowledge learned, thus creating in the organization a positive learning cycle. Through the introduction of TTQS training quality system, the Company's training system has become more complete.	
(6) Has the company formulated relevant policies and complaint procedures for the protection of consumers' rights in respect of R&D, procurement, production, operations and service processes?			(6) The Company continues to develop and innovate. The Company has set up a supplier evaluation programs. The approval of raw materials undergoes a rigorous process during formal production and strict health management of the factory is maintained in the manufacture of products. In addition, multiple agricultural safety tests are performed to ensure food quality and safety for consumers. Furthermore, a toll-free number has been set up, as an exclusive and professional helpline for customers to consult on products with specially assigned personnel so that they can enjoy after-sales consultation service or make compliant about the management team of the company.	
(7) Does the company comply with relevant laws and regulations and international standards for the marketing and labeling of products and services?			(7) The Company engages in the marketing and publicity of products and services in accordance with the provisions of the Ministry of Health and Welfare on food labeling and marketing methods	
(8) Does the company check whether a supplier has any record of environmental and social impact before doing any business with the supplier?			(8) The Company considers suppliers with multiple perspectives and determines whether these suppliers comply with national laws and industrial standards, have excellent credit, protect employee rights, value food safety and maintain eco-friendly practices, which are the review criteria.	
(9) Does the contract between the company and its principal supplier contain the condition that the contract			(9) The Company has added terms and conditions relevant to corporate social responsibility in the new 2015 version of the contract. In addition, our vendors	

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Abstract Explanation	
may be terminated at any time if the supplier is involved in a policy that violates its corporate social responsibility and has a significant impact on the environment and society?			found to have committed major errors or failed to meet standards will be suspended in accordance with the supplier evaluation programs for suppliers. Cooperation with these suppliers will only continue after improvements on said errors have been implemented.	
4. Strengthening information disclosure (1) Does the company disclose relevant and reliable information on corporate social responsibility on its website and MOPS?	V		The Company appropriately discloses its corporate social responsibility related information on its website and in its corporate social responsibility report and annual report.	No major difference

5. If the company has its own corporate social responsibility code in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies, please describe the difference between its operation and the prescribed code: No major difference.

6. Other important information to help understand the operation of corporate social responsibility:

The Company established a cross-sectional “Corporate Social Responsibility Committee” in 2013. The committee is under the office of the general manager. Representative of executive managers is served as the commissioner and selects the representatives of the six major units (R&D, manufacturing, supply chain, business, financial, management) to become members of the committee. Committee meetings are held periodically. The committee and its member are responsible for planning and executing annual CSR plans for joint cross-sectional integration and review, as well as reporting the outcome of implementation and improvement strategies. They are also responsible for writing and editing CSR reports:

Environment:
1. A total reduction of 296,450kg of carbon emission after Launched "Energy Conservation and Carbon Reduction Activities" from Jun 2018
2. A total reduction of CO_2 emission by 3,691 kg through the usage of green solar power
3. An aggregate NT$3,413 thousands invested into environmental programs and management optimization

Social :
1. The total hours of education and training: 9,101.5 hours
2. Employee welfare investment: NT$32,971 thousands.
3. The total amount of social investment: NT$9,539 thousands.

Governance:
1. 2018 TCSA Taiwan Enterprise sustainability Report Awards
2. Outstanding Management Award of “The 25th National Quality Award”
3. Food Research Innovation Award at the 19th “2018 IUFoST Food Research Innovation Awards.”

7. Please state if the company's corporate social responsibility report passes the relevant verification agencies’ verification criteria:

The Company's 2018 CSR Report was entrusted to Ernst & Young for planning in accordance with Confirmed Rules Gazette No. 1 "Verification Cases Not Related to Historical Financial Information Verification or Review" of the Accounting Research and Development Foundation of the Republic of China, and the verification work was executed accordingly. Please refer to the CSR report for details of the verification report.
The Company's CSR report for 2018 was released in March 2019 and is available for download on the website (www.grapeking.com.tw).

(6) Implementation of Ethical Corporate Management

Evaluation Item	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Abstract Illustrations	
1. Setting business Ethical Corporate Management policies and programs (1) Does the company express its commitment to the policies and practices of Ethical Corporate Management in its regulations and in the external documents, and do the Board of Directors and the management actively implement the business policies? (2) Has the company set up a program for the prevention of dishonesty as well as the procedures, conduct guidelines and a disciplinary and appeals system in various programs and implemented them? (3) Has the Company adopted precautionary measures in respect of business activities with a high risk of dishonesty in Article 7 (2) of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	V		(1) The Company has the "Ethical Corporate Management Best Practice Principles" to prevent the occurrence of dishonesty and prohibits the employees from using their functions and duties to misappropriate public funds, damage the interests and reputation of the Company, etc. The Company also undertakes on its website sound corporate governance and compliance with the laws and regulations and the Code of Business Ethics. (2) The Company has the "Ethical Corporate Management Best Practice Principles", and a disciplinary and appeals system as stated in Article 24 of the Ethical Corporate Management Best Practice Principles. In order to strengthen and implement the Ethical Corporate Management Best Practice Principles, the new staff is educated in professional ethics, integrity and related internal and external laws and regulations in the pre-service training, so that the principle of "integrity" can be inculcated in them. (3) The Company has set out a precautionary scheme in the Ethical Corporate Management Best Practice Principles for the following behaviors: - Bribery - Provision of illegal political contributions - Improper charitable donation or sponsorship - Provision or acceptance of inappropriate gifts, entertainment or other benefits - Infringement of intellectual property rights - Engagement in unfair competition - Provision of products or services damaging to interested parties	No major difference
2. Implementation of Ethical Corporate Management (1) Does the company assess the integrity record of its business partner, and stipulate the terms of conduct on integrity in the contract with the business partner? (2) Has the company set up a dedicated (or concurrent) corporate integrity promotion unit under the Board of Directors which regularly reports to the board on its work?	V		(1) The Company fulfills the contract of commercial activities in accordance with the principle of fairness and integrity, the provisions of the relevant laws and regulations and the contract terms, and assesses the business partner with the same principle. The Company also established the relevant integrity terms in the contract. (2) The Company has established the Ethical Corporate Management Best Practice Principles, and the management is operating in compliance with the Code. The Finance Division acts as a part-time unit of ethical corporate management, assists in the establishment of a code of good faith management, responsible for promoting the implementation of ethical corporate management, and actively implements integrity and moral values through annual propaganda and tests on ethical corporate management codes, and reports implementation situation to the Board of Directors. On the 25 Jan, 2018, the Company's 4th Board of Directors passed the 2018 promoting situation of "Ethical Corporate Management".	No major difference

Evaluation Item	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Abstract Illustration s	
(3) Has the company formulated policies to prevent conflicts of interest, provided appropriate channels for statements and implemented them? (4) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate management, which is checked by the internal auditing unit on a regular basis or audited by external auditors? (5) Does the company hold regular internal and external training on business integrity?			(3) The Company has a benefit avoidance clause in the "Ethical Corporate Management Best Practice Principles and the Guidance on Procedures" to avoid conflicts of interest, and implements division of functions in the spirit of internal control. The Company has also set up an appropriate investigation mechanism and a system for statements of the parties. (4) The Company has established an accounting system and an internal control system for the integrity operation of the Company, and the internal audit unit conducts checks in accordance with the annual audit plan submitted to the Board of Directors. (5) In 2018, the Company held internal and external education training related to the issues of good faith management for a total of 459 person-times and 1,292 person-hours.	
3. Operation of the Company Reporting System (1) Has the company set up specific reporting and reward systems and a convenient reporting channel, and does the company assign appropriate personnel to investigate the person being reported?	V		(1) The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Procedures for Accusation and Complaint Management". The Company has set up a clear accusation system, and detailed specific accusation channels, a reward system, and ad hoc units as follows: 1. Grievance channels： I. Internal suggestion box II. Grievance and complaint hotlines (a) Grievance hotline：(03)4572121#1999 (b) Appeal hotline：(03)4582121#1995 III. Feedback via email or website (a) Grievance box：companyopinion@grapeking.com.tw (b) Complaint box：employeeopinion@grapeking.com.tw 2. Reward system: I. Non-employees: Company gift for the reporting of an incident. II. Internal staff: Rewards according to the Company's personnel regulations. 3. Designated handling units: I. Express opinion via internal suggestion box. (a) The grievance opinions are consolidated and handled by the audit department. (b) Appeal opinions are consolidated and handled by the human resources department. II. Express opinion via email or website: opinions will be handled by the Company's designated personnel. III. All reports and appeals should consolidate and report to the general manager for review and instruction, and then could be closed.	No major difference

Evaluation Item	Implementation Status			Differences with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Abstract Illustrations	
(2) Has the company set up standard investigation procedures and a related confidentiality mechanism for the matter being reported? (3) Does the company take measures to protect the reporter from improper treatment?			(2) The Company's "Grievance and Complaint Management Procedures" is the standard operating procedure for handling grievances and related confidentiality matters. (3) The safety of the complainant shall be protected. Care shall be taken in accordance with the precautionary notes of the confidentiality statement, and no improper punishment shall be imposed for the grievance.	
4. Strengthening of Information Disclosure (1) Does the company disclose the contents of Ethical Corporate Management Best Practice Principles and the effectiveness on its website and MOPS?	V		The Company has the "Ethical Corporate Management Best Practice Principles" which are published on the Company's website and MOPS. The Company's website as below: https://www.grapeking.com.tw/tw/investor/governance/major-policies	No major difference
5. If the Company has its own Ethical Corporate Management Best Practice Principles in accordance with the " Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between them: In order to establish a corporate culture of integrity and improve its operation, the Company has formulated and followed Ethical Corporate Management Best Practice Principles with reference to "Ethical Corporate Management Best Practice Principles for TWSE/GTSE Listed Companies". No difference.				
6. Other important information that will help to understand the operation of the company's integrity: The implementation and effectiveness of ethical corporate management in 2018: ● The ethical corporate management test was conducted for employee level of class cadres and above, with 91 respondents. The passing rate was 100% (passing score was 80 points). ● Ethical corporate management letter issued to the entire staff. ● A total of 15 directors and supervisors, with an aggregated 45 hours, participated in ethical-corporate-management-related courses (including insider trading practices and the impact of the latest amended Company Law, and the insider trading legal liabilities and case studies). ● Various internal/external educational trainings on topics of ethical corporate management were held, with an aggregated 1,292 hours and 459 employees participating. ● None appeal or report filed against business integrity received this year.				

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

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

(9) Implementation of the internal control system

i. Internal Control Statement

Statement of Internal Control System

Date: February 25, 2019

The internal control system in 2018, according to the result of self-assessment is thus stated as follows:

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting a6nd the compliance of applicable law and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in "Highlights for Implementation of Establishing Internal control System by Listed Companies" (hereinafter referred to as"Highlights") promulgated by Securities and Futures Commission, Ministry of Finance R.O.C., the Company has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by "Highlights" are, based on the process of management control, for classifying the internal control into five elements: 1.Control environment; 2.Risk assessments; 3.Control activities; 4.Information and communication; and 5.Monitoring. Each element also includes a certain number of items. For the foregoing items, refer to "Highlights".
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the above-mentioned result of evaluation, the Company suggests that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting the compliance of applicable law and regulations has been effective and they can reasonably assure the aforesaid goals have been achieved.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors on February 25, 2019, and those 9 directors in presence all agree at the contents of this statement.

Grape King Bio Ltd.

Chairman: Andrew Tseng

General Manager: Andrew Tseng

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

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

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

i. Important resolutions of the shareholders' meeting and the status of implementation
The Company's 2018 general shareholders' meeting was held on May 29th, 2018 at No. 402, Section 2, Jinling Road, Pingzhen District, Taoyuan City. The resolution by the attending shareholders and the implementation status are as follows:

No.	Resolution of shareholders' meeting	Status of implementation
1	Acknowledgement of the Company's 2017 business report and financial statements	The relevant documents have been filed with the competent authorities for record and announcement in accordance with the Company Law and other relevant laws and regulations.
2	Acknowledgement of the Company's 2017 profit distribution	Proposed July 15, 2018 as the record date, and August 10, 2018 as the payment date (cash dividend of NT$$6.7 per share).
3	Approved the amendment to the Company's Procedures for Loaning Funds to Other.	The resolution was passed and reported on the MOPS, and announced on the Company's website.
4	Approved the amendment to the Company's Procedures for Election of Directors and Supervisors	The resolution was passed and reported on the MOPS.
5	To elect Directors and Supervisors	The result of election was reported on the MOPS, and obtained approving registration by the Ministry of Economic Affairs on June 27, 2018.
6	To release the Directors elected from non-competition restrictions	Effective from the resolution of the shareholders' meeting.

ii. Important resolutions of the board meetings

Board meeting	Resolution content and subsequent handling	Matters in §14-3of the Securities Exchange Act	Independent Directors' objection or reserved opinion
The 17th board meeting of the 18th-term Board of Directors Jan 26, 2018	1. Passed the amendment to the Company's "Measures for Share Buyback for Distribution to Employees".	V	
	2. Adopted the Remuneration Committee's proposal of the 2017 year-end bonuses for managers.	V	
	3. Passed the Company's 2018 business plan.	V	
	4. Passed the record date of the capital increase for the Company's first domestic unsecured convertible corporate bond in the fourth quarter of 2017.	V	
	5. Passed the amendment to the Company's internal control operations, internal audit operations and grievance and complaint channel management procedures.	V	
	6. Passed the amendment to the Company's "Ethical Corporate Management Best Practice Principles"	V	
	7. Passed the Company's proposed credit line application with Chang Hwa Bank for its business operations.	V	
	8. Passed the list of the Company's investors who repur-	V	

Board meeting	Resolution content and subsequent handling	Matters in §14-3of the Securities Exchange Act	Independent Directors' objection or reserved opinion
	chased/redeemed 10% or more of the Company's securities in the year.		
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
	Results of the resolutions: All attending Directors agreed to pass the resolutions.		
The 18th board meeting of the 18th-term Board of Directors Feb 22, 2018	1. Passed the 2017 remuneration distribution to employees, directors and supervisors.	V	
	2. Passed the Company's 2017 business report and financial statements.	V	
	3. Passed the Company's 2017 "Effectiveness assessment of internal control system" and "Managerment's Report on Internal Control".	V	
	4. Passed the Evaluation of independent of External Certificate Auditor.	V	
	5. Passed the assignment of Company Director Representative for subsidiary, Pro-Partner Ltd.	V	
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
	Results of the resolutions: Except for the 5th motion, the interested parties left the meeting first, and the other attending directors agreed to pass the case. The other motions with the consent of all the directors present. Interest avoidance situation: The 5th motion of interested parties, Directors Chang-Yeh Tseng, Andrew Tseng and Zhijia Chang were the representatives of the legal person directors appointed in the proposal, and they evaded voting according to law due to personal interests.		
The 19th board meeting of the 18th-term Board of Directors Mar 9, 2018	1. Passed the amendment to the Company's "Measures for the Election of Directors and Supervisors".	V	
	2. Passed the re-election of directors and supervisors.	V	
	3. Passed the Company's 2017 earnings distribution proposal.	V	
	4. Passed the list of director, independent director and supervisor candidates nominated by the Board of Directors.	V	
	5. Passed the lifting of non-competition restrictions on new directors.	V	
	6. Passed the Company's 2018 shareholders' meeting date, venue and agenda: (1) Date: 9 am on May 29, 2018 (Tuesday) (2) Venue: Auditorium on the 8th floor of the Company at No. 402, Section 2 Jinling Road, Pingzhen District, Zhongli District, Taoyuan City (8F of the Pingzhen headquarters) (3) Agenda of the shareholders' meeting: A. Report Items: 1. 2017 business report. 2. The Supervisors' review of the 2017 Financial Statements. 3. Report on Remuneration Distribution for Employees, Directors and Supervisors for the Year 2017. 4. 2017 Implementation of Investments in the PRC. 5. Amendments to the Rules for Transferring Share Repurchases to Employees B. Matters for Ratification: 1. Adoption of the 2017 Business Report and Financial Statements. 2. Adoption of the Proposal for Distribution of 2017 Profits. C. Matters for discussion 1. To amend the Company's Procedures for Loaning Funds to Others". 2. To amend the Company's Procedures for Election of Directors and Supervisors. D. Matters for Election: To elect directors and supervisors.	V	

Board meeting	Resolution content and subsequent handling	Matters in §14-3of the Securities Exchange Act	Independent Directors' objection or reserved opinion
	E. Other matters: To release the Directors elected from non-competition restrictions. F. Extempore motion:		
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
	Results of the resolutions: With the exception of 3rd motion, which was amended by all the directors present and was subsequently approved by the shareholders' meeting in 2018, other motions were approved with the consent of all the directors present.		
The 20th board meeting of the 18th-term Board of Directors Apr 17, 2018	1. Approved nomination of candidates for directors (including independent directors) and supervisors at regular meeting of shareholders in 2018.	V	
	2. Passed the record date of the capital increase for the Company's first domestic unsecured convertible corporate bond (hereinafter referred to as convertible corporate bond) in the 1st quarter of 2018.	V	
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
	Results of the resolutions: All attending Directors agreed to pass the resolutions.		
The 21st board meeting of the 18th-term Board of Directors May 7, 2018	1. Adopted the Remuneration Committee's proposal.	V	
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
	Results of the resolutions: All attending Directors agreed to pass the resolutions.		
The 1st extraordinary board meeting of the 19th term Board of Directors May 29, 2018	1. To elect the 19th chairman of the Board of Director	V	
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
	Results of the resolutions: Andrew Tseng elected as the Chairman of the Board of Director with unanimous consent by all directors.		
The 1st board meeting of the 19th term Board of Directors Jun 11, 2018	1. Passed to set the record date for stock and cash dividends.	V	
	2. Passed the adjustment to the conversion price of the Company's first domestic unsecured convertible corporate bond (Grape King 1, code: 17071) and the delegation to the Chairman for implementation.	V	
	3.Passed the proposals on hiring members of the remuneration committee	V	
	4. Passed the nominations for the chairman and directors of its subsidiary —Grape King International Investment Inc.	V	
	5. Passed nominations for the chairman, directors and supervisors of its subsidiary — Shanghai Grape King Enterprises Corp.	V	
	6. Passed nominations for the directors and supervisors of its subsidiary —Rivershine Ltd.	V	
	7. Passed the Company's proposed credit line and credit line renewal application with Chang Hwa Bank for its business operations.	V	
	8. Passed the Company's proposed credit line and credit line renewal application with Hua Nan Bank for its business operations and mid and long term capital needs.	V	
	9. Passed the list of the Company's investors who repurchased/redeemed 10% or more of the Company's securities in the year.	V	
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
	Results of the resolutions: The 3rd Motion: The interested parties left the meeting first, and the other attending directors agreed to pass the case. The other motions with the consent of all the directors present.		

Board meeting	Resolution content and subsequent handling	Matters in §14-3of the Securities Exchange Act	Independent Directors' objection or reserved opinion
	The 5th Motion: The amendments to the appointment of the chairman were approved by the attending directors, and report and announcement. All other motions were approved by the attending directors. Interest avoidance situation: The 3th motion of interested parties, Director Fengyi Lin, Ching-Fu Chen and Yifan Miao evaded voting according to law due to personal interests. The 4th, 5th, 6th motion: The reappointment of chairman, Directors and Supervisors did not receive benefit from remuneration, thus no withdrawal from the voting session was required.		
The 2nd board meeting of the 19th-term Board of Directors Aug 8, 2018	1. Passed the record date of the capital increase for the Company's first domestic unsecured convertible corporate bond (hereinafter referred to as convertible corporate bond) in the 2nd quarter of 2018.	V	
	2. Passed the list of the Company's investors who repurchased/redeemed 10% or more of the Company's securities in the year.	V	
	3. Passed adjustments made to the remuneration and travel expenses of the 19th independent director of the Company.	V	
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
	Results of the resolutions: The 3rd Motion: The interested parties left the meeting first, and the other attending directors agreed to pass the case. The other motions with the consent of all the directors present. Interest avoidance situation: The 3th motion of interested parties, Director Fengyi Lin, Ching-Fu Chen and Yifan Miao evaded voting according to law due to personal interests.		
The 3rd board meeting of the 19th-term Board of Directors Nov 13, 2018	1. Passed the annual internal audit plan of 2019.	V	
	2. Passed the record date of the capital increase for the Company's first domestic unsecured convertible corporate bond (hereinafter referred to as convertible corporate bond) in the 3rd quarter of 2018.	V	
	3. Passed the location change of the Longtan Science Park Branch.	V	
	4. Passed management change of the Longtan Science Park Branch	V	
	5. Passed nominating chief financial officer Nick Hung as the part-time chief corporate governance officer	V	
	6. Passed the revisions made to the "Ethical Corporate Management Best Practice Principles" and designated the Finance Division as a part-time business ethical corporate management unit.	V	
	7. Passed the revisions on the "Procurement and Payment Cycle of the Company"	V	
	8. Passed the Company's proposed credit line and credit line renewal application with Land Bank of Taiwan for its business operations.	V	
	Extempore motion: 1. Passed the expansion into the ASEAN markets through investment in Malaysia.	V	
	2. Passed that managerial officer of the subsidiary report regularly to the Board of Director of the parent company..	V	
	3. Passed that management system of production, sales, labor, wealth, and financial resources down to the subsidiaries for management planning and related issue should reported to the Board of Director.	V	
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
	Results of the resolutions: All attending Directors agreed to pass the resolutions.		
The 4th board meeting of the 19th term Board of	1. Passed the "2018 management bonus scheme" proposed by the remuneration committee	V	
	2. Passed the Company's business plan of 2019	V	

Board meeting	Resolution content and subsequent handling	Matters in §14-3of the Securities Exchange Act	Independent Directors' objection or reserved opinion
Directors Jan 25, 2019	3. Passed the status of the Company's "ethical corporate management".	V	
	4.Passed amendments made to the " Corporate Governance Best Practice Principles" of the Company	V	
	Independent Directors' opinions: Nil		
	The Company's handling of Independent Directors' opinions: Nil		
	Results of the resolutions: All attending Directors agreed to pass the resolutions.		
The 5th board meeting of the 19th term Board of Directors Feb 25, 2019	1. Passed the resolution of traveling expense for Directors, supervisors and members of the remuneration committee present through video conference.	V	
	2. Passed the 2018 remuneration distribution to employees, directors and supervisors. ◦	V	
	3. Passed the Company's 2018 business report and financial statements.	V	
	4. Passed the Company's 2018 earnings distribution proposal	V	
	5. Passed the amendment to the "Articles of Incorporation"	V	
	6. Passed the proposal to amend the Company's "Procedures for Acquisition and Disposal of Assets".	V	
	7. Passed the Company's 2019 shareholders' meeting date, venue and agenda: (1) Date: 9 am on May 29, 2019 (Wed.) (2) Venue: Auditorium on the 8th floor of the Company at No. 402, Section 2 Jinling Road, Pingzhen District, Zhongli District, Taoyuan City (8F of the Pingzhen headquarters) (3) Agenda of the shareholders' meeting: A. Report Items : 1. 2018 business report. 2. The Supervisors' review of the 2018 Financial Statements. 3. Report on Remuneration Distribution for Employees, Directors and Supervisors for the Year 2018. 4. 2018 Implementation of Investments in the PRC. B. Matters for Ratification: 1. Adoption of the 2018 Business Report and Financial Statements. 2. Adoption of the Proposal for Distribution of 2018 Profits. C. Matters for discussion 1. To amend the Company's "Articles of Incorporation" 2. To amend the Company's Procedures for Acquisition or Disposal of Assets D. Extempore motion:	V	
	8. Passed the annual "internal control system effectiveness assessment" and "internal control system statement" of the Company	V	
	9. Passed the review of the accountant's independence.	V	
	Extempore motion： 1. The Board of Director shall propose a proposal on directional and decision-making matters in the fourth quarter annually.	V	
	Independent Directors' opinions: The independent director consented with the proposal made in the 4th Motion, a cash dividend of NT$6.50 per share.		
	The Company's handling of Independent Directors' opinions: After the proposal of the independent director, all the attending directors agreed to adopt the case, so the Company followed accordingly and announce material Information on the MOPS on the date of Board of Director Meeting.		
	Results of the resolutions: The 1st Motion: All directors agreed the proposal of traveling expense for Directors, supervisors and members of the remuneration committee present through video conference after Chairman illustrated.		

Board meeting	Resolution content and subsequent handling	Matters in §14-3of the Securities Exchange Act	Independent Directors' objection or reserved opinion
	The 4th Motion: All attending Directors agreed to pass the resolutions after the proposal of the independent director. All other motions were approved by the attending directors.		

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

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

I. Summary of the resignation and dismissal of personnel relevant to the financial report in 2018 (including the chairman, general manager, chief accountant, chief financial officer, internal audit manager, R&D director, etc.): Nil.

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

5. Accountant Fees

(1) Accountant fee information and tier table

Accounting firm	CPA name		Audit period	Remarks
Ernst & Young	Mars Hung	Julia Lo	Jan 1, 2018 - Dec 31, 2018	

Unit: NT$ thousand

Tier	Fee item	Audit fee	Non-audit fee	Total
1	Lower than 2,000,000		1,361	
2	2,000,000 (inclusive) - 4,000,000	3,530		
3	4,000,000 (inclusive) - 6,000,000			4,891
4	6,000,000 (inclusive) - 8,000,000			
5	8,000,000 (inclusive) - 10,000,000			
6	10,000,000 and more			

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

Unit: NT$ thousand

Accounting firm	CPA name	Audit fee	Non-audit fee					Audit Period	Note
			System design	Business registration	HR	Others (Note 1)	Sub-total		
Ernst & Young	Mars Hung Julia Lo	3,530	-	321	-	1,040	1,361	2018.01.01~ 2018.12.31	

Note 1: Non-audit fees are presented by service items. If the "other" non-audit fees are 25% or more of the total amount of non-audit fees, please list the services in the remarks column: The "others" of non-audit fees include NT$870 thousand for the CSR report and consulting service, NT$170 thousand for the transfer pricing report,

(3) If there is a change of the accounting firm, and in the year of the change the audit fee is lower than that in the previous year, please disclose the audit fees before and after the change and the reasons: Nil.

(4) If the audit fee is reduced by more than 15% over that in the previous year, please disclose the amount of audit fee reduced, the proportion and reason for the reduction: There is no reduction in the audit fees.

6. Change of Accountants: Nil.

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

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

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

March 31, 2019 Unit: share

Title (Note)	Name	2018		Current year as of March 31	
		Shareholding Increase/ (Decrease)	Pledged share Increase/ (Decrease)	Shareholding Increase/ (Decrease)	Pledged share Increase/ (Decrease)
Chairman and GM	Andrew Tseng	100,000	-	97,000	-
Director	Cheng-An Lai (Tenure expired on 29 May 2018)	Note 3	Note 3	Note 3	Note 3
Director	Zhijia Chang	-	-	-	-
Director	Yan-Yi Huang (Tenure expired on 29 May 2018)	Note 3	Note 3	Note 3	Note 3
Director	Chang-Yeh Tseng (Tenure expired on 29 May 2018)	Note 3	Note 3	Note 3	Note 3
Director	Mei-Ching Tseng	40,000	-	73,000	-
Director	Zhiwei Lai (Effective on 29 May 2018)	- (Note4)	- (Note4)	-	-
Director	Yanxiang Huang (Effective on 29 May 2018)	14,000 (Note 4)	- (Note4)	95,000	-
Director	Ding Fu Investment Co., Ltd. (Note 1)	-	-	-	-
Director (Legal representative)	Sheng-Bin Tseng (Note 2)	-	-	-	-
Independent Director	Fengyi Lin	-	-	-	-
Independent Director	Ching-Fu Chen	-	-	-	-
Independent Director	Yifan Miao (Effective on 29 May 2018)	- (Note 4)	- (Note 4)	-	-
Supervisor	Chih Sheng Chang	-	-	-	-
Supervisor	Hsing Chun Chen (Effective on 29 May 2018)	27,000 (Note4)	- (Note 4)	16,000	-
Supervisor	Mei-Li Chen (Tenure expired on 29 May 2018)	Note 3	Note 3	Note 3	Note 3
Deputy GM, R&D Division	Jin-Chu Chen	-	-	-	-
Deputy GM, Business Division	Yuan-Tsung Lin	-	-	-	-
CFO	Nick Hung	-	-	-	-
CLO	Chih-Lin Hung	-	-	-	-

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

Note 2: Ding Fu Investment Co., Ltd. was elected Director on May 29, 2018 and appointed Mr. Sheng-Bin Tseng as a legal representative on May 29, 2018.

Note 3: Tenure expired on 29 May 2018, does not calculate changes in the number of shares held and pledged

Note 4: Effective on 29 May 2018, the number of shares changed here is the number of shares held on December 31, 2018, compared to the shareholding change at the time of election.

(2) Share Trading Information:

Name (Note1)	Reasons for transfer (Note2)	Transaction date	Transaction counterpart	The relation between "Transaction counterpart" and "Company, director, supervisor and shareholding ratio exceed 10% shareholder"	Number of shares	Transaction price
Andrew Tseng	Disposal (Gift)	5 Oct, 2018	Tseng Shui Chao Welfare Charitable Foundation	Tseng Shui Chao Welfare Charitable Foundation	15,000	-
Mei-Ching Tseng	Disposal (Gift)	5 Oct, 2018	Tseng Shui Chao Welfare Charitable Foundation	Tseng Shui Chao Welfare Charitable Foundation	30,000	-

Note 1: The name of Company, director, supervisor and shareholding ratio exceed 10% shareholder.

Note 2: Acquisition or Disposal.

(3) Share pledge Information: NA.

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

Unit: share; %

Name	Own shareholding		Shareholdings of the spouse and minor children		Shareholding in other people's names		Name and relationship of top 10 shareholder who has the interested-party relationship per the Financial Accounting Standards Bulletin No. 6		Remarks
	Shareholding	Shareholding %	Shareholding	Shareholding %	Shareholding	Shareholding %	Name	Relationship	
Fubon Life Insurance	9,300,000	6.82	-	-	-	-	Nil	Nil	
Nanshan Life Insurance Co., Ltd.	7,465,000	5.48	-	-	-	-	Nil	Nil	
Andrew Tseng	5,928,244	4.35	-	-	-	-	Chang-Yeh Tseng Mei-Ching Tseng	Mother and son Sister and brother	
Mei-Ching Tseng	4,592,117	3.37	-	-	45,000	0.03	Chang-Yeh Tseng Andrew Tseng	Mother and daughter Sister and brother	
Chang-Yeh Tseng	4,260,114	3.13	-	-	-	-	Andrew Tseng Mei-Ching Tseng	Mother and son Mother and daughter	
Cathay Life Insurance Co., Ltd.	3,557,000	2.61	-	-	-	-	Nil	Nil	
Ching Biao Biotech Co., Ltd	2,935,000	2.15	-	-	-	-	Nil	Nil	
New Labor Retirement Fund	2,593,000	1.90	-	-	-	-	Nil	Nil	
Chase Trusts Swede Bank Robur Global Emerging	2,288,000	1.68	-	-	-	-	Nil	Nil	
Chih-Sheng Chang	2,093,957	1.54	992,530	0.73	-	-	Nil	Nil	

10. Total comprehensive shareholding ratio for the number of shares held by the company, the company's directors, managers and the company directly or indirectly controlled by the company in the same investment business.

December 21, 2018 Unit: thousand share; %

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

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

IV

Capital and Shares

1. Capital and Shares
2. Corporate Bonds
3. Preferred Shares
4. Overseas Depositary Receipts
5. Employee Stock Options
6. Issuance of Restricted Stock for Employees
7. Issuance of New Shares for Merger, Acquisition or Exchange of Other Companies' Shares
8. Financing Plans and Implementation

1. Capital and Shares

(1) Source of Share Capital

March 31, 2019 Unit: NT$; share

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

Year	Par Value (NT$)	Approved Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
1990	10	53,365,700	533,657,000	53,365,700	533,657,000	Approval ref. "79 Tai-Tsai-Cheng (1) No. 02854" for a capital increase of NT$200 million and a capital increase of NT$56,737,000 from 1989 earnings	Nil	
1991	10	75,000,000	750,000,000	58,857,550	588,575,500	Approval ref. "80 Tai-Tsai-Cheng (1) No. 03453" for a capital increase of NT$54,918,500 from 1991 earnings	Nil	
1992	10	75,000,000	750,000,000	64,909,085	649,090,850	Approval ref. "81 Tai-Tsai-Cheng (1) No. 02709" for a capital increase of NT$60,515,350 from 1991 earnings	Nil	
1993	10	75,000,000	750,000,000	71,543,276	715,432,760	Approval ref. "82 Tai-Tsai-Cheng (1) No. 30931" for a capital increase of NT$66,341,910 from 1992 earnings	Nil	
1994	10	78,920,310	789,203,100	78,920,310	789,203,100	Approval ref. "83 Tai-Tsai-Cheng (1) No. 42929" for a capital increase of NT$73,770,340 from 1993 earnings	Nil	
1995	10	111,000,000	1,110,000,000	86,945,448	869,454,480	Approval ref. "84 Tai-Tsai-Cheng (1) No. 39338" for a capital increase of NT$80,251,380 from 1994 earnings	Nil	
1996	10	111,000,000	1,110,000,000	95,768,491	957,684,910	Approval ref. "85 Tai-Tsai-Cheng (1) No. 41796" for a capital increase of NT$88,230,430 from 1995 earnings	Nil	
1997	10	111,000,000	1,110,000,000	105,441,166	1,054,411,660	Approval ref. "86 Tai-Tsai-Cheng (1) No. 73312" for a capital increase of NT$96,726,750 from 1996 earnings	Nil	
1998	10	130,920,000	1,309,200,000	111,818,587	1,118,185,870	Approval ref. "87 Tai-Tsai-Cheng (1) No. 71962" for a capital increase of NT$63,774,210 from 1998 earnings	Nil	
1999	10	130,920,000	1,309,200,000	130,818,587	1,308,185,870	Approval ref. "87 Tai-Tsai-Cheng (1) No. 92331" for a capital increase of NT$190,000,000	Nil	
2005	10	150,000,000	1,500,000,000	133,435,040	1,334,350,400	Approval ref. "Jin-Guan-Cheng (1) No. 0940133992" dated Aug 17, 2005 for a capital increase of NT$26,164,530 from earnings	Nil	
2008	10	150.000.000	1,500,000,000	130,235,040	1,302,350,400	Approval ref. "Tai-Cheng-Shang No. 09700286141" dated Sept. 23, 2008 for a capital cancellation of NT$32,000,000	Nil	
2015	10	150.000.000	1,500,000,000	130,300,141	1,303,001,410	Conversion of convertible corporate bond into shares for NT$651,010, approval ref. "Jing-Shou-Shang No. 10501040870" dated Mar 8, 2016	Nil	

Year	Par Value (NT$)	Approved Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
2016	10	150.000.000	1,500,000,000	135,214,211	1,352,142,110	Conversion of convertible corporate bond into shares for NT$49,140,700, approval ref. “Jing-Shou-Shang No. 10601033480” dated Mar 17, 2017	Nil	
2017	10	150,000,000	1,500,000,000	135,221,060	1,352,210,600	Conversion of convertible corporate bond into shares for NT$68,490, approval ref. “Jing-Shou-Shang No. 10701023750” dated Mar 16, 2018	Nil	
2018	10	150,000,000	1,500,000,000	136,286,373	1362,863,730	Conversion of convertible corporate bond into shares for NT$10,653,130, approval ref. “Jing-Shou-Shang No. 10701150430” dated Nov 11, 2018	Nil	

Share Type	Authorized Capital			Remark
	Issued Shares	Un-issued Shares	Total	
Common Stock	136,286,373 shares	13,713,627 shares	150,000,000 shares	Listed shares (with 508,000 shares treasury stocks)

Summary reporting system related information: Not applicable.

(2) Status of Shareholders

March 31, 2019 Unit: person; share; %

Shareholder structure / Holding	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Foreigners	Total
Number	7	30	171	30,320	192	30,720
Shareholding	6,278,106	24,478,044	10,136,806	64,392,415	31,001,002	136,286,373
%	4.61	17.96	7.44	47.25	22.74	100

Note: The Company is a Non-foreign issuer, no requirement of disclosing the shareholding ratio by the PRC.

(3) Shareholding Distribution Status

Common Shares: Face value NT$10 per share

March 31, 2019 Unit: person; share; %

Shareholding Tiers	No., of Shareholders	Shareholding	%
1 to 999	23,050	1,409,640	1.03
1,000 to 5,000	6,638	11,520,675	8.45
5,001 to 10,000	506	3,763,953	2.76
10,001 to 15,000	136	1,721,259	1.26
15,001 to 20,000	70	1,276,987	0.94
20,001 to 30,000	76	1,860,039	1.37
30,001 to 40,000	42	1,480,133	1.09
40,001 to 50,000	28	1,276,675	0.94
50,001 to 100,000	48	3,318,868	2.44
100,001 to 200,000	38	5,215,109	3.83
200,001 to 400,000	33	9,491,900	6.97
400,001 to 600,000	7	3,538,914	2.59
600,001 to 800,000	10	6,783,536	4.97
800,001 to 1,000,000	3	2,756,530	2.02
1,000,001 or more	35	80,872,155	59.34
Total	30,720	136,286,373	100.00

Preferred shares: Not applicable.

(4) Major Shareholders

March 31, 2019 Unit: share; %

Shares / Name	Shareholding	%
Fubon Life Insurance	9,300,000	6.82
Nanshan Life Insurance Co., Ltd.	7,465,000	5.48
Andrew Tseng	5,928,244	4.35
Mei-Ching Tseng	4,592,117	3.37
Chang-Yeh Tseng	4,260,114	3.13
Cathay Life Insurance Co., Ltd.	3,557,000	2.61
Ching Biao Biotech Co., Ltd	2,935,000	2.15
New Labor Retirement Fund	2,593,000	1.90
Chase Trusts Swede Bank Robur Global Emerging	2,288,000	1.68
Chih-Sheng Chang	2,093,957	1.54

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

Unit: NT$; share; %

Item \ Year			2017	2018	Current year as of March 31, 2019
Market price per share (Note 1)	Highest		216.00	275.00	217.00
	Lowest		167.00	185.00	168.00
	Average		188.33	220.88	201.63
Net worth per share (Note 2)	Before distribution		38.42	42.05	(Note 6)
	After distribution		-	-	-
Earnings per share	Weighted average number of shares		134,742,902	135,363,048	135,778,373
	Earnings per share		10.03	9.57	(Note 6)
Dividend per share	Cash dividend		6.70	6.50 (Note 7)	-
	Bonus shares	By Retained earnings	-	-	-
		By Paid-in Capital	-	-	-
	Accumulated undistributed dividends		-	-	-
Investment return analysis	Price / Earnings ratio (Note 3)		18.78	23.08	-
	Price / Dividend ratio (Note 4)		28.11	33.98 (Note 7)	-
	Cash dividend yield rate (Note 5)		3.56	2.94(Note 7)	-

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

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

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

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

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

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

Note 7: The 2018 annual earnings distribution has not yet been approved during the shareholders' meeting.

(6) Dividend Policy and Implementation Status

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

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

II. The proposed dividend distribution:
On Feb 25, 2019, the Board of Directors adopted the proposed cash dividend of NT$882,559,425 (NT$6.5 per share) to shareholders, subject to the resolution of the 2019 shareholders' meeting.

III. Is there any significant change to be made to the dividend policy: No.

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

(8) Bonuses of Employees, Directors and Supervisors

I. The percentage or scope of the bonuses of Employees, Directors and Supervisors stipulated in the Articles of Association：

According to the stipulations of the Articles of Association, if there is a profit for the year, the Company shall pay 6% to 8% of it for the employee bonus and not more than 2% for the supervisor bonus. However, if there is still a cumulative loss, an amount to make up for the loss should be retained in advance. The aforesaid employee bonus shall be paid in shares or cash, and shall be approved by a board meeting with the attendance of more than two-thirds of the directors and the consent of more than half of the attending directors, and then be reported to the shareholders' meeting. The Company also has an "Employee Remuneration Management Procedure", which has been reviewed by the Remuneration Committee and approved by the Board of Directors, to regulate the details and methods of distribution.

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

III. Bonus distribution as passed by the board meeting:

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

A. Employee bonus: cash NT$122,578,096; share distribution: Nil.
B. Bonus for directors and supervisors: NT$30,644,524.

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

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

There is no discrepancy between the actual remuneration paid to employees, directors and supervisors in 2018 and the amount in the resolution of the Board of Directors.

(9) Buyback of Treasury Stock

March 31, 2019

Treasury stocks: Batch Order	2nd Trench
Purpose of buy-back	Share distribution to employees
Timeframe of buy-back	January 4, 2017 - March 3, 2017
Price range	118.00 - 349.50
Class, quantity of shares bought back	508,000 ordinary shares
Value of shares bought-back (in NT$ thousands)	NT$91,061,773
Shares sold/transferred	Nil
Accumulated number of company shares held	508,000 shares
Percentage of total company shares held (%)	0.37%

2. Corporate Bond

(1) Corporate bond status

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

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

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

Note 3: For overseas corporate bonds.

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

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

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

(2) Information about the convertible corporate bond

Corporate bond type		First domestic unsecured convertible corporate bond
Item / Year		2018
Market price of the convertible corporate bond	Highest	168.00
	Lowest	121.50
	Average	148.75
Conversion price		NT$155.9 (Note 2)
Issuing (processing) date and the conversion price at the time of issuance		August 26, 2015 NT$170.5
Conversion method (Note 1)		New share issuance

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

Note 2: As the cash dividend of the Company's ordinary shares in 2018 exceeded 1.5% of the share's market price, a conversion price adjustment was made in accordance with Article 11 of the Company's First Unsecured Convertible Corporate Bond Issuance and Conversion Method. From July 15, 2018, the conversion price is adjusted to NT$155.9.

3. Preferred Shares: Nil.

4. Overseas Depositary Receipts: Nil.

5. Employee Stock Options:

(1) Employee Stock Options: Nil.

(2) The name, acquisition and subscription of the manager, as well as the top 10 employees, who have obtained the Employee Stock Options: Nil.

6. Issuance of Restricted Share for Employees:

(1) Issuance of restricted share for employees: Nil.

(2) The name, acquisition and subscription of the manager, as well as the top 10 employees, who have obtained the restricted share for employees: Nil.

7. Issuance of New Shares for Merger, Acquisition or Exchange of Other Companies' Shares: Nil.

8. Financing Plans and Implementation:

First domestic unsecured convertible corporate bond

(1) Plan content:

I. Approval date and number of the competent authority: July 29, 2015, Reference No. Jin-Guan-Cheng-Fa No. 1040027799.

II. Total amount required for the plan: NT$1,391,726 thousand.

III. Source of funds:

i. NT$1 billion from the issuance of the first domestic unsecured convertible corporate bond with a three-year duration and a 0% interest rate.

ii. The rest of the amount is paid from the Company's own funds of NT$391,726 thousand.

IV. Capital plan and progress

Unit: NT$ thousand

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

V. Possible benefits:

i. Plant construction and purchase of machinery and equipment

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

Unit: NT$ thousand

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

ii. Replenishment of working capital

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

(2) Implementation status:

Unit: NT$ thousand

Planned item	Implementation status		As of Dec 31, 2018
Plant construction and purchase of machinery and equipment	Amount	Planned	1,041,726
		Actual	1,041,726
	Implementation status (%)	Planned	100.00%
		Actual	100.00%
Replenishment of working capital	Amount	Planned	350,000
		Actual	350,000
	Implementation status (%)	Planned	100.00%
		Actual	100.00%
Total	Amount	Planned	1,391,726
		Actual	1,391,726
	Implementation status (%)	Planned	100.00%
		Actual	100.00%

As of December 31, 2018, the actual implementation of the plan is 100%. Among the planned items, the Pingzhen plant was completed and the relocation was made in the third quarter of 2016. On the purchase of machinery and equipment, all the machine installation, testing and acceptance were made from the third quarter of 2016 and completed in the third quarter of 2017. The replenishment of working capital was also completed in the first quarter of 2016. For the items above, there is no major difference between the planned and the actual benefits.

V

Operations Profile

1. **Business Scope:**

(1) Business scope

I. Main businesses:

(i) C103050 Canned, Frozen, Dehydrated Food Manufacturing
(ii) C106010 Flour Milling
(iii) F203010 Retail sale of Food and Grocery
(iv) F102170 Wholesale of Food and Grocery
(v) C201010 Prepared Animal Feeds Manufacturing
(vi) F202010 Retail sale of Animal Feeds
(vii) F102040 Wholesale of Nonalcoholic Beverages
(viii) C114010 Food Additives Manufacturing
(ix) F121010Wholesale of food additives
(x) F221010 Retail of food additives
(xi) C109010Seasoning Manufacturing
(xii) F501030 Coffee/Tea Shops and Bars
(xiii) C802041Drugs and Medicines Manufacturing
(xiv) F108021 Wholesale of Drugs and Medicines
(xv) F208021 Retail Sale of Drugs and Medicines
(xvi) F208050 Retail Sale of the Second Type Patent Medicine
(xvii) F108031 Wholesale of Drugs, Medical Goods
(xviii) F208031 Retail sale of Medical Equipment's
(xix) C802100 Cosmetics Manufacturing
(xx) F108040 Wholesale of Cosmetics
(xxi) F208040 Retail Sale of Cosmetics
(xxii) C802090 Cleaning Products Manufacturing
(xxiii) F207030 Retail Sale of Cleaning Preparations
(xxiv) F107030 Wholesale of Cleaning Preparation
(xxv) C105010 Edible Oil Manufacturing
(xxvi) C102010 Dairy Products Manufacturing
(xxvii) F206020 Retail Sale of Articles for Daily Use
(xxviii) F106020 Wholesale of Articles for Daily Use
(xxix) F104110 Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
(xxx) F204110 Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products
(xxxi) F401010 International Trade
(xxxii) H201010 Investment
(xxxiii) H701010 Residence and Buildings Lease Construction and Development
(xxxiv) C110010 Beverage Manufacturing
(xxxv) C199990 Other Food Manufacturing Not Elsewhere Classified
(xxxvi) F102030 Wholesale of Tobacco Products and Alcoholic Beverages
(xxxvii) F203020 Retail Sale of Tobacco and Alcoholic Beverages
(xxxviii) I401010 General Advertising Services
(xxxix) JE01010 Rental and Leasing Business
(xl) IZ12010 Manpower Services
(xli) A101040 Edible Fungus and Algae
(xlii) A101030 Special Crops
(xliii) A101050 Flower Gardening
(xliv) IG01010 Biotechnology Services

(xlv) F401171 Alcohol Drink Import
(xlvi) F107080 Wholesale of Environment Medicines
(xlvii) F207080 Retail Sale of Environment Medicine
(xlviii) C802080 Pesticides Manufacturing
(xlix) H703100 Real Estate Rental and Leasing
(l) F601010 Intellectual Property
(li) I101090 Food Consultancy
(lii) C201020 Pet food processing
(liii) F106060 Wholesale of pet food and appliances
(liv) F206050 Retail of pet food and appliances
(lv) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

II. Business weighting:

Unit: NT$ thousand; %

Product Type	Amount	Percentage
Health food	7,373,356	80
OEM	1,403,184	15
Beverage	220,367	3
Others	186,414	2
Total	9,183,321	100

III. The company's current products:

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

IV. The new products to be developed in 2019:

In response to the market growth of bone-and-joint products, this year the Company plans to launch “Bone and Joint King” and “Sliim Probiotics King”, posture management probiotics. To multi-dimensionally enhance the health of the family, Pro-Partner Co., Ltd. is expected to launch 9 new products this year including 4 dietary supplements that target intestinal function, blood sugar balance, and other specific consumer groups such as the male population. Popularized food supplement that aids in immune system regulation is another highlight of the year. The demand of the “pet-owning community” is also of particular interest. A pet food will be introduced to monitor the health of the skin and intestines of the pet. The other four products, on the other hand, focus on daily care of the face, skin, and mouth.

(2) Industry overview

I. Industry status and development

Improving the quality of health care and safety of food hygiene has been the two key factors in the promotion of national health. In the field of biotechnology and pharmaceutical industry, research and development is oriented towards health promotion, disease prevention, diagnosis and treatment, mainly through new drugs, medications, and food. With high innovation output value as the core, upstream innovation, research and development, and field validation (clinical trials) are established to drive the production and manufacturing industry downstream. To foster domestic ambition of being the Biomedical Research Centre of Asia-Pacific, the Company has initiated the “Biomedical Industry Innovation Plan” in 2016, aiming to develop 20 new drugs, 80 high-value internationally listed medical materials that generate an annual growth rate of 9% in the market, food and biological resource with an expected output value of NT$772 billion, and enhanced payment rate to 25.7% in 2025.

With the efforts of the Government and the private sector over the years, Taiwan's biotechnology industry scale continues to expand. In 2017, the turnover of the biotechnology industry reached NT$325 billion, and the private sector’s investment in biotechnology was more than NT$52.6 billion, up 3% from 2016 and the investment was large-scale projects oriented. The export value is NT$157.6 billion in 2017, growth rate around 21.7%. The import value is increased to NT$251.5 billion in 2017. The increase in both turnover and import value drove the growth of the domestic market, and in 2017, the domestic demand for biotechnology products reached NT$418.9 billion.

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

As health care products have high added values, and different health care products can be offered to meet the needs of different groups of customers, they can easily form a separate market segment and attract manufacturers in the food, biotechnology and drug industries to invest in the development. Even upstream dealers of food ingredients or direct marketing/marketing companies are optimistic about the rapid growth of the health food market, and are investing in the development of health care products. The value of imports is NT$10.2 billion in 2017, and the value of exports is NT$10.419 billion in 2016 to NT$10.885 million in 2017, representing a growth of 4.47%. In view of the large volume of foreign health food imports, domestic health food manufacturers have taken a localization strategy to incorporate the resources of research institutions to jointly develop Taiwan's local health care ingredients for their products. This can not only reduce the price fluctuation impact of foreign resources, but because of the use of local health care ingredients, the products are easy to be accepted by the local people, and can form a separate market segment from the international market.

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

On the direct marketing side, as of the end of 2017, the number of multi-level marketing companies reporting to the Fair Trade Commission was 466, of which local companies accounted for about 84.96%, and foreign companies accounted for only 15.04%. In 2017, the total number of participants in direct marketing in Taiwan was 2,992.6 thousands, and the total turnover of the multi-level marketing industry was NT$88.619 billion. The main products of the multi-level marketing industry are still nutrition and health care products and beauty care products, followed by daily necessities. This situation has not changed for years. However, with the vigorous development of community media and the popularity of smart phones, the multi-level marketing industry is gradually transitioning from physical sales to virtual network. For this reason, more and more multi-level marketing companies have gradually abandoned the traditional sales model of "people to people and word of mouth marketing" used in the past, and shifted to internet and community media marketing. This enables an organization to pass on information more quickly, and strengthens the connectivity between the internal distributors of an organization and external distributors, and between consumers and distributors. It is also more conducive to the promotion of products and business.

II. Relationship among the industry’s up, mid and down streams

Upstream: material development, formula development and upgrading

Midstream: manufacturing

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

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

III. Product development trends

(i) Immunoregulation is the focus of the Company's development of health care products, and Ganoderma lucidum related products have obtained the health food certification of the Department of Health.

(ii) Lactic acid bacteria products have become one of the most popular intestinal health products in recent years. The lactic acid bacteria products of the Company are not only rich in bacteria, but are very popular with consumers. They also obtained health food certification numbers, and have the two functions of gastrointestinal function improvement and allergy adjustment.

(iii) For Taiwan's common liver diseases, the Company developed health care products such as Antrodia King and Antrodia Aqua has obtained a health food certification number from the Department of Health for liver protection and blood pressure regulation functions).

(iv) For the aging society, the Company developed health care products for the silver-haired group for delay of aging and prevention of Alzheimer's disease.

(v) The Company developed ergot sulfide beauty drinks and facial masks with a strong anti-oxidative ability.

(vi) For the different health needs of men and women, the Company developed energy drinks for men and beauty drinks for women.

(vii) Develop and add precious plant extracts that protect the eyes and provide essential healthcare foods for 3C users.

(viii) Develop a series of unique “Grape King” style snack and beverages to be sold exclusively at the Company's tourist factory.

IV. Competition

(i) Product competition:

A. With the expansion of the domestic health food market, domestic Chinese and western pharmaceutical manufacturers and biotech companies have also stepped into the health food market, and grown quickly with their name recognition and existing technology in the pharmaceutical industry.

B. With their policy changes, some foreign governments have allowed the sales of health care products in foreign countries which were originally for domestic sales only. Because of the citizens’ infatuation with overseas brands, the participation of overseas health care brands will make the competition keener.

C. On the direct marketing side, the increasing output value of the multi-level marketing industry year after year reflects the high potential of the direct marketing channel. However, the greater the output value, the higher the attractiveness for more enterprises to transform into multi-level marketing companies, and the more foreign multi-level marketing companies will enter the Taiwan market for market shares. The degree of competition is therefore increasing every year.

(ii) Channel competition:

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

(3) Overview of Technology and R&D

I. Hericium mycelium fermentation technology: The 40 ton-liquid fermentation technology is now mature.

II. Lactic acid bacteria recovery technology: The continuous centrifugal technology in the recovery of lactic acid bacteria was developed, and the first domestic liquid nitrogen process was completed.

III. The anti-aging Hericium health care product was developed and launched.

IV. Longtan Science Park branch expanded the fermentation capacity to 90 tons in the first stage. An automatic freeze-drying process was introduced and expected to be in official operation in the 3rd quarter of 2019.

V. Awards won

(i) Grape King Bio wins at the 19th 2018 IUFoST Food Research Innovation Awards.

(ii) Grape King Bio's Vice President of R&D, Dr. Jin-Chu Chen, has won the outstanding Management Award of “The 25th National Quality Award”

(iii) Probiotics King (Capsule), Probiotics King (Granule), Super13 Pro &Prebiotics and Yong Sheng Fu Lang Capsule acquired SNQ (Symbol of National Quality) certifications.

(iv) Super13 Pro&Prebiotics was awarded “Nutritional Health Food Innovation Award” from the Health Food Society of Taiwan.

(v) Grape King Bio Probiotic King Powder won the Innovation Product Award of TALAB!

(vi) “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.

(vii) “Rapid isolation of a novel anticancer compound Antrodin C from Antrodia” was awarded a Gold medal and Special Award at the 2018 Russian Archimedes International Invention Exhibition.

(viii) 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.

(ix) A Silver Medal was received for "Use of Antrodia Cinnamomea mycelia fermentation product for improving nonalcoholic steatohepatitis (NASH)” at 2018 Geneva International Invention Exhibition.

(x) 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.

(xi) “The heripene, the active substance of the mycelium of Hericium Erinaceous 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.

(xii) “Compositions comprising an active compound for treating dementia and methods of use thereof " was awarded a Silver Medal and the Special Award at the Taiwan Innotech Expo.

VI. Patents obtained in the past five years:

Approving Country	Patent Name	Date	Patent No.
ROC	An Embedding Structure of Hericium Erinaceous Mycelium with Neuroprotective Function	Dec. 11, 2014	M491474
ROC	An Active Substance of Antrodia Camphorate Mycelium and an Active Substance of Cordyceps Militaris which Promotes the Proliferation of Hepatocytes, and Their Preparation and Use	Dec 21 ,2014	I465260
ROC	A Cultivation Method for Preventing Rapid Degradation of Hericium Erinaceous A During the Fermentation of Hericium Erinaceous Mycelium	Jan 11, 2016	I 516598
ROC	A Method for Preparing Fermentation Broth of Lepista Nuda Mycelium with Anti-UVA Function	Feb 11 ,2016	I 521059
ROC	An Embedded Granule of Lactobacillus Coated with Antrodia Camphorate Mycelium	Jul 1, 2016	M524710
ROC	An Embedded Granule of Lactobacillus Coated with Cordyceps Militaris Mycelium	Jul 1, 2016	M524709
ROC	An Embedded Granule of Lactobacillus Coated with	Jul 1, 2016	M524708

Approving Country	Patent Name	Date	Patent No.
	Hericium Erinaceous Mycelium		
ROC	An Embedded Granule of Lactobacillus Coated with Hericium Erinaceous Mycelium	Jul 1, 2016	M524707
ROC	An Embedded Granule of Lactobacillus Coated with Agaricus Blazei Mycelium	Jul 1, 2016	M524706
ROC	An Embedded Granule of Lactobacillus Coated with Monascus Mycelium	Jul 1, 2016	M524705
ROC	An Embedded Granule of Lactobacillus Coated with Cordyceps Sinensis Mycelium	Jul 1, 2016	M524704
ROC	An Embedded Granule of Lactobacillus Coated with Antrodia Camphorate Polysaccharide	Jul 1, 2016	M526395
ROC	An Embedded Granule of Lactobacillus Coated with Antrodia Camphorate Protein	Jul 1, 2016	M526396
ROC	An Embedded Granule of Lactobacillus Coated with Cicada Mycelium	Jul 1, 2016	M526397
ROC	An Embedded Granule of Lactobacillus Coated with Ganoderma Lucidum Mycelium	Jul 1, 2016	M526398
ROC	An Embedded Granule of Lactobacillus Coated with Armillaria Mellea Mycelium	Jul 1, 2016	M526399
ROC	An Active Substance of Cicada Mycelium for Protecting Nerve Cells and Its Food Compounds	Sep 21, 2016	I549684
ROC	An Active Substance of Antrodia Camphorate for Reducing Drug Resistance of Cancer Cells and Its Compounds	Oct 1, 2016	I551291
ROC	The Active Substance of Antrodia Camphorate Mycelium, Its Preparation Method, Pharmaceutical Compounds and Use	Oct 11, 2016	I552755
ROC	The Active Substance of Cicada Mycelium, Its Preparation Method, Pharmaceutical Compounds and Use	Nov 21, 2016	I558405
ROC	The Active Substance of Hericium Erinaceus and Its Mycelium for Alleviating Pains, Its Preparation Method and Pharmaceutical Compounds	Dec 1, 2016	I560273
ROC	The Active Substance of Antrodia Camphorate Mycelium for Protecting Nerve Cells, and Its Pharmaceutical Compounds	Dec 21, 2016	I562782
ROC	Probiotic-Embedded Particles	Jun 21, 2017	I587863
China	Particles with Lactobacillus Embedded by Mycelium of Hericium Erinaceus Which Can Improve the Nerve Growth-Factor	Jun 6, 2017	ZL 201620459984.4
ROC	An Active Substance for Preventing Hearing Loss, Its Method for Preparation, Pharmaceutical Compounds and the Method for Preparing the Pharmaceutical Compound	Aug 21, 2017	I595880
ROC	Method for Producing Purified Maleic Acid Derivatives with High-Performance Centrifugal Chromatography	Sep 11, 2017	I598332
ROC	The Active Substance of Cicada for Promoting Hepatocyte Proliferation	Oct 11, 2017	I601824
ROC	An Active Substance for Treating Dementia, Its Preparation Method, Pharmaceutical Compound and Preparation Method	Nov 21, 2017	I605819
ROC	Purification of 4-Acetyl antroquinonol B component x from Antrodia Camphorate Mycelium using high performance centrifugal chromatography	Feb 21, 2018	I615387
Japan	Chocolate products containing probiotics	Apr 4, 2018	3215992
ROC	Anthraquinone mycelium fermented product for improving nonalcoholic steatosis hepatitis	Apr 11, 2018	I620815
ROC	Chocolate products containing probiotics	May 1, 2018	M559069
ROC	The utility model relates to a germinal lactobacillus, its	Sep 1, 2018	I634207

Approving Country	Patent Name	Date	Patent No.
	composition, culture method and usage for reducing uric acid, improving allergy and/or lowering blood glucose		
ROC	The utility of the invention related to a lactobacillus germ, its composition, culture method for the elimination of body fat and the reduction of hepatomegaly and/or inflammation	Sep 21, 2018	I636133
ROC	The invention related to a germ lactobacillus, its composition, its culture method and usage for lowering blood lipid, lowering liver function index, lowering uric acid and/or anti-inflammatory function	Sep 21, 2018	I636134
Canada	The active substance of Cicada, its preparation method, pharmaceutical composition including the active substance and its use	Oct 9, 2018	2912599
ROC	Feed additives and their applications	Dec 11, 2018	I643559

VII. New products developed in the past five years:

Ganoderma for Kids, Marigold Lutein Complex，Ginseng-Clam Plus B, PowerBOMB, Coriolus Versicolor King, Tian Qi Ling Zhi Essential Drink, Gold Cordyceps King, Tian Qi Maca Essential Drink, Snow Brightening Essential Drink, Ling Zhi Anti-allergy, Slim Turmeric Complex, Marigold Lutein QQ for Kids, Probiotic King Powder, Bone and Joint King, Sliim Probiotics King, Hericium Erinaceus King, Marigold Lutein Complex, Women’s Probiotics, Cranberry Q10 Queen, Gold Maca King, Probiotics flavor cream roll, Blaze mushroom cookies, Versicolor health snack, Combest ice cream, Hot Grass Jelly, Antrodia Drip Coffee, Fu Ba Xin Capsule, Super 13 Pro&Prebiotics, Daily Light, Agaricus Blazei Murill Noodle, Agaricus Blazei Murill Capsule.

VIII. R&D Expenses in the past three years

Unit: NT$ thousand

Year	2016	2017	2018
Amount	114,032	159,663	184,569

(4) Long-term and Short-term Development

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

I. Short-term business development

(i) Short-term product planning

With the goal of “Live Healthy, Think Grape King" as the product planning purpose, meet the health needs of the whole family. The newly launched “Probiotics King” in 2018 with the new formula remains popular, as well as seven new high-quality live bacteria and Compound Probiotics. With this division of labor, the effect is enhanced, and the Company is positioned as a “probiotic expert” to maintain the health of the family. ”Slim Turmeric Complex” is tailored to meet the needs of the female population that maintain beauty through accelerating the metabolic system. The new product, “Slim Turmeric Complex”, keeps consumers’ body in shape by reducing excessive fat accumulation. Moreover, "Bone and Joint King" targets the older population. It consists of complex type II collage, vitamin D3 and high quality calcium, supplementing multiple nutrition for the elders at once.

(ii) Short-term channel planning

Big data operation in digital marketing is introduced for the strategic planning of the distribution channel. It allows the Company to accurately determine potential customers with a positive business flow, to drive the membership growth, and to diligently improve the quality of customer service. We also strengthen our analysis of the member database, through which consumers are segmented accordingly with different schemes of promotion to increase the buyback. Through this improvement in both the quality of our members and of our services, an overall performance growth is expected.

II. Long-term business development

(i) Long-term product plan:

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

(ii) Long-term channel plan:

Due to the strong demand for healthcare and disease prevention in China driven by its economic growth, the health industry has continued to flourish in recent years. It is estimated that by 2020 the sales of China's healthcare product market will exceed RMB150 billion and the Company has also proactively deployed in the mainland healthcare product market. The Company uses the business model of cross-border internet marketing together with offline pharmacy O2O to provide overseas high-quality healthcare product operations. In order to play in full the advantage of local business development, the Dongpu Biotech Corporation was officially established in Songshan Lake of Dongguan in 2017. In the hope of achieving the same level of success as it has attained in Taiwan through online and offline sales. In addition, the OEM advantages of Shanghai Grape King Enterprise Corp. are consolidated with our R&D base in Taiwan. With its continual provision of competitive dietary supplement tailored for China's marketing groups, we are confident that we'll be experiencing a steady expansion of our operational scale

2. Market and Sales Overview

(1) Market analysis

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

II. Market share:

The Company's Ganoderma lucidum and Antrodia camphorate products have been the leading brands over the years with a market share of more than 50% respectively. While there are other competing products, with our brand name recognition we are able to maintain a substantial market share. On the direct marketing side, the sales volume of the Company's direct marketing affiliates reached NT$8.05 billion in 2017, accounting for 9.08% of the total multi-level marketing market's NT$88.619 billion.

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

IV. Favorable and unfavorable factors for development and countermeasures

(i) Favorable and unfavorable factors for development:

Favorable Factors	Unfavorable Factors
Health food industry 1. Because of an aging population, the demand for health care products will increase year by year, and is not affected by the financial turmoil. 2. The Company set up its biological center in 1991 and had an early start. As the hardware and software have matured, the Company is stepping into the development of key components to improve profitability and raise the entry barrier. 3. The Company's products such as Ganoderma lucidum and Antrodia camphorate have been selected as those with high entry barriers for world-class manufacturers, etc. The Company therefore has an advantage in international competition. 4. The Government provides NT$10 billion per year to support the biotechnology industry, and the industry outlook is promising.	Health food industry 1. The implementation of the Health Food Law raises the cost of product research and development and increases operational difficulties. However, in the long run this can phase out the weak and only the strong will stay, and professional manufacturers will be protected as a result. 2. With the continuing economic downturn, non-daily necessities such as health food have been bearing the brunt, and people's willingness to purchase has declined. This has impacted sales.
Food and beverage industry 1. Taiwan has a warm weather, and the demand for beverage is strong. 2. With the development of the economy, the national income level is improving, and people are paying more attention to the quality of life and leisure activities. With the expansion of consumption, beverage demand has improved, and there is a great potential in the development of the beverage market.	Food and beverage industry 1. Government will significantly reduce import tariffs in order to join the WTO, and there will be more imported goods. In the future, the competition in the beverage market will be high. 2. Beverage manufacturers like to swarm into a particular type of beverage, and the price competition will lower the profit. 3. The product homogeneity of beverages is high, and the market competition is keen. In order to maintain the consumer's recognition of the brand and purchase intent, advertising expenses have to increase significantly.
Pharmaceutical Industry: 1. The pharmaceutical industry is one of the top ten emerging industries of the country, and a key industry promoted and supported by the Government. 2. As the population is aging and the living standards are improving, health issues are attracting more attention and the demand for drugs is increasing. Therefore, the size of the drug market is expanding. 3. With the rise of health awareness, consumers are more attracted to health and	Pharmaceutical Industry: 1. Most consumers prefer foreign original drugs. Though domestic GMP manufacturers produce drugs with the same effect, due to people's medication habits, domestic GMP manufacturers have long been in an inferior competitive position which is disadvantageous to the development of domestic pharmaceutical manufacturers. 2. Large foreign pharmaceutical companies have come to Taiwan to erode the domestic drug market. This is disadvantageous to the

Favorable Factors	Unfavorable Factors
health care related products. 4. 4. The Company was certified by the Department of Health as a "Pharmaceutical Manufacturer Implementing G.M.P" in 1987. The plant management and product quality are affirmed by the industry.	development of domestic pharmaceutical manufacturers. 3. At present, there are more than 100 domestic GMP pharmaceutical manufacturers and numerous small manufacturers. There is a fear of vicious competition.

(ii) Countermeasures

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

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

I. Important usage of the main products

(i) Probiotics & Prebiotics: The product can change the body's bacterial plexus ecology, maintain the digestive function and adjust the physiological function.

(ii) Bio Aid 995: The product can provide the necessary nutrients for a balanced body to help maintain good health.

(iii) Antrodia Aqua: The health drink can balance the body's constitution, and has no side effects on the human body.

(iv) Meal Supplement: The product can promote the body's metabolism, provide balanced nutrition for growth and help the body regain strength.

(v) Li Sheng: The product can adjust the body's constitution and promote metabolism.

(vi) Bai Ke Sz capsule: The product can nourish the body and adjust the body's constitution.

II. The production process of the main products

(i) Super 13 Pro & Prebiotics

Material collecting	Cultivating	Blending	Capsule sorting	Filling
Packaging	Quality control	Awaiting testing	Ware-housing	

(ii) Bio Aid 995 and Antrodia Aqua

Material collecting	Cultivating	Blending	Sterilizing	Flavoring
Filling	Sealing	Spray printing	Sterilizing	Packaging
Labeling	Packaging	Quality control	Awaiting testing	Warehousing

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

Material collecting	Blending	Testing	Filling	Testing
Packaging	Warehousing			

(3) Supply of major raw materials

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

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

A. Major Suppliers in the past two years: The Company did not have any supplier who accounted for more than 10% of the total goods purchased in the past two years.

B. Major Customers in the past two years: The Company did not have any customer who accounted for more than 10% of the total goods sold in the past two years.

(5) Production in the last two years

Unit: NT$ thousand

Major product (or department)	2017			2018		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Health food (Note 1)	Note 1	Note 1	656,635	Note 1	Note 1	688,234
Beverage - General Liquid (L)(Note 2)	3,720,000	2,668,687	123,127	5,292,000	2,473,740	112,136

Other (OEM, cosmetics, etc.) (Note 1)	Note 1	Note 1	689,624	Note 1	Note 1	1,012,954
Total			1,469,386			1,813,324

Note 1：Due to inconsistent product measurement units, the quantity is not aggregated

Note 2：Beverage - general liquid and health food - general liquid share capacity。

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

(6) Shipments and sales in the last two years

Unit: NT$ thousand

Major product	2017				2018			
	Import		Export		Import		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Health food (Note 1)	Note 1	8,064,422			Note 1	8,303,494		
Beverage - General Liquid (L)	2,487,274	206,491			2,409,538	194,438		
Other (OEM, cosmetics, etc.)	Note 1	1,103,807	Note 1	13,408	Note 1	1,538,132	Note 1	30,389
Subtotal		9,374,720		13,408		10,036,064		30,389
Others (Note 2)		-		-		(883,132)		
Total		9,374,720		13,408		9,152,932		30,389

Note 1：Due to inconsistent product measurement units, the quantity is not aggregated

Note 2：Affected by adjustment made in accordance with IFRS 15.

Reason for change: As the health food market continued to grow in China and the Company's product quality won consumer recognition, the sales volume and value grew. However, the accounting of treatment the considerations paid to customers under IFRS 15 was to reduce against revenue in 2018, causing revenue decreased by NT$883,132 thousand.

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

Unit: person; %

Year		2017	2018	2019 as of the date of publication of the Annual Report (March 31, 2019)
Number of employees	Staff	482	492	496
	Technician	93	90	88
	Operator	125	143	130
	Total	700	725	714
Average age		34.91	34.91	36.17
Average service year		4.6	4.6	5.17
Academic distribution	Ph.D.	0.86	1.10	1.12
	Master’s degree	10.57	12.00	12.89
	College	59.14	57.10	50.84
	High school	18.86	19.03	24.79
	Below high school	10.57	10.76	10.36

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

4. Environmental Protection Expenditure:

(1) Environmental expenditure items are mainly divided into air pollution prevention and control management, water pollution prevention and control management, waste management, noise management and other related expenses.

(2) Various environmental management expenses are as follows:

Environmental administrative fees, environmental facilities maintenance and maintenance costs, environmental treatment costs, environmental testing costs, environmental improvement costs.

(3) The overall environmental protection investment planning and cost in 2018 are as follows:

Unit: NT$ thousand

Environmental management	Zhongli plant	Pingzhen plan	Total
Air pollution management	1,387	53	1,440
Wastewater management	11,856	2,828	14,684
Waste management	2,449	474	2,923
Noise management	59	-	59
Total	15,751	3,355	19,106

(4) As of the date of publication of the 2018 Annual Report, no environmental pollution damage and punishment.

5. Labor Relations:

(1) Employee welfare:

The Company adopts a dual welfare system (dual welfare from the Company itself and the Welfare Committee).In order to ensure the Company's compensation and welfare system is advantageously above the industry level, we actively introduced various management system, such as the performance and target management system to effectively distinguish between the superior and inferior employees, so as to make the performance assessment fair and transparent. The Company also set up a merit and demerit bonus weighting system to effectively encourage employees to set high standards for themselves and exceed the goals set for them. The Company also introduced a reward and punishment system and a model employee system to create a positive influence through excellent employees and create a sense of honor. The welfare items are summarized as follows:

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

(2) Staff advanced study and training:

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

i. Training performance over the years:

(i) The employees are encouraged to participate in relevant training courses organized by domestic and foreign government agencies and civil organizations to acquire the latest information and market trends.

(ii) The Company combined government resources to develop training courses, and actively cultivated the employees for diversified talent development.

(iii) The Company conducted orientation training to newcomers, and the training content included a description of the Company's business philosophy, operations, organizational structure, products and services, code of conduct, business confidentiality, personal data protection, internal rules and regulations, as well as an introduction to the information environment, labor safety, food safety, work content and work environment.

(iv) Through regular access to the "GPS Navigation - Seeing the Technology of Grape King" each quarter, the staff will be able to understand more about the Company's operations and related hardware and software equipment and environment, so as to build staff loyalty.

(v) The Company actively invited professional lecturers from domestic and foreign academic or educational institutions to make thematic speeches. Through a variety of interactive activities, the employees could absorb new knowledge and exchange technical know-how.

ii. Analysis of training performance over the years:

Year / Item	2017	2018	2019 as of the date of publication of the Annual Report (March 31, 2019)
Average no. of external training hours per month	263	383.2	387.2
Average no. of internal training hours per month	294	375.25	193.2
Average no. of employees receiving external training per month	21	36.2	28
Average no. of employees receiving internal training per month	148	164.2	95.67
Total annual training hours	6,687	9,101.5	1740.5
Total no. of employees receiving training during the year	2,034	2,404	371
Annual training penetration rate (%)	93%	97%	25%

(3) Retirement system and its implementation:

The Company has formulated a staff retirement scheme in accordance with the Employee Retirement Measures of the Labor Law, and will fund a dedicated account on a monthly basis for such use in accordance with the provisions of the Employee Retirement Fund Provision and Management Measures. Employees who have served the Company for more than 15 years and are 55 years of age or older, or who have served the Company for more than 25 years, or who have served the Company for more than 10 years and are 60 years of age or older are entitled to old retirement applications. The Company will give a multiplier of 2 for every year of service, but for a service of more than 15 years, after the 15th year a multiplier of 1 will be given for every year of service, with the highest total of 45. A service of less than half a year will be calculated as half a year, and more than half a year will be calculated as a year. With the new employee pension scheme, the monthly allocation covered by the company should not be lower than 6% of the employee's monthly salary.

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

i. Regularly holding labor meetings to ensure a smooth communication channel between the employees and the Company.

ii. Providing multiple complaint and report channels (such as an opinion box and a report and complaint telephone line and email address).

iii. Implementing satisfaction surveys to listen to the employees' voices.

iv. The old and new employees meet from time to time to provide assistance or advice regarding the work of other employees.

v. Implementing internal and external audit systems to strengthen the Company's operations.

vi. Increasing policy advocacy methods (such as internal sites, email address, bulletin boards, meetings, briefings and written tests) to enhance the employees' understanding and participation

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

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

i. Company structure:

(i) Establishment of a level-one unit: Work Safety Department and Environmental Protection Department

(ii) Establishment of a cross-department disaster prevention unit: the Occupational Safety and Health Committee

(iii) Establishment of the Employee Health Management Center

ii. Management policy:

(i) Establishing occupational safety norms for employees to comply with: The Company has a Code of Practice, Risk Assessment Management Approach, Inspection and Audit Management Measures, Environmental Assessment Management Approach, Emergency Response Standards and Occupational Injury Handling Method for the employees to follow.

(ii) Fire prevention and public safety: The Company annually reports the fire equipment maintenance status and conducts public building safety inspections, and regularly holds fire and emergency evacuation drills for the employees' prevention awareness.

(iii) Education and training: Orientation training for new staff, fire prevention training (twice a year), vocational license annual re-training (for hazardous operation executives, stacker operators, crane operators, pressure vessel operators, etc.).

(iv) Access control and surveillance system: The Company has established the Access Control Management Method and is equipped with complete monitoring facilities to monitor the status of various corners of the plant at any time.

(v) Health protection related operating rules: The Company has formulated the "Working Rules for the Protection of Maternal Labor's Health", "Operating Procedures for Prevention of Abnormal Workloads Which Trigger Diseases", "Management Procedures for Prevention of Hazards Due to Human Factors", "Operating Procedures for Prevention of Unlawful Infringement in the Execution of Duties", "Operatiing Procedures for Worker Selection and Assessment", "Operating Procedures for Work Resumption Assessment", "Operating Procedures for Worker Dispatch Assessment" and "Health Management Procedures", and has arranged regular health checks, special operation-related health checks, influenza vaccinations, etc. for the staff health protection.

iii. Implementation status:

(i) Confined space: For the cleaning and maintenance of fermentation tanks and other confined spaces, the Company has established the "Management Approach for Confined Space Operation" and requires the operator to wear oxygen detection equipment, anti-fall equipment, a helmet and other personal safety equipment before the work.

(ii) Chemicals and toxicants: The Company manages chemicals and toxicants for R&D and commodity inspection purposes in accordance with the requirements of the Occupational Safety and Health Ordinance and the Environmental Protection Regulations (on the storage of liquid ingredients and waste liquids, entry and exit registration, periodic filing and regular SDS updates).

(iii) Health management: According to the "Employee Health Check Practices" and related regulations, the Company annually offers special-operation health checks to employees who are exposed to noises or chemicals or in contact with the products, and offers a general health check for employees over a certain age every 3 to 5 years. In both 2016 and 2018, the Company followed and excelled the statutory requirement of providing free health checks for all employees. In the future, the Company will strive for the goal of annual health checks to all employees.

Year	Number of Health Checks Performed
2016	277
2017	312
2018	345

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

(iv) Occupational hazards: The Company did not have any major occupational hazards from 2016 to 2018.

iv. Relevant Certification:

(i) The Company obtained OHSAS18001 certification on September 11, 2017

(ii) The Company obtained TOSHMS (Taiwan Occupational Safety and Health Management System) certification on September 11, 2017

(iii) The Company obtained ISO14001 (Environmental Management System) certification on September 11, 2017

(iv) In 2016 and 2017 both the Zhongli and Pingzhen plant obtained the "Healthy Workplace Certification" (Health Activation and Health Promotion Label) from the National Health Administration of the Ministry of Health and Welfare

(v) The Company has been certificated by Sports Administration, Ministry of Education for the Sports Enterprise in 2017.

(vi) The Company received the "Taoyuan City's Excellent Breastfeeding Room Certification" (Pingzhen plant) in 2017.

v. Related activities:

(i) Application of "Taoyuan City's Excellent Breastfeeding Room Certification" in 2018 (Pingzhen Plant, Tourist Factory, Zhongli Plant)

(ii) Application of "Work Life Balance Award" 2018

(iii) Participated in an event with the topic: "The continuous automatic monitoring results of business wastewater discharge" in 2018

(iv) Participated in an "Educational seminar on Taiwan occupational safety and health management system by the North District Promotion Association" in 2018

(6) Other important agreements: Nil. The Company regularly holds labor meetings to facilitate communication between the employees and the Company.

(7) Any loss due to labor disputes in the past year and as of the date of publication of the annual report: Nil. The Company and its employees have always maintained the spirit of mutual cooperation and teamwork, and continue to achieve higher business goals with their joint efforts.

6. Important Contracts:

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

No.	Contract Type	Counterparty	Contract Start and Ending Dates	Contents
1	Construction contract	Fu Tsu Construction	Oct 17, 2016 - Mar 10, 2018	Civil and electromechanical project contract for the new Longtan plant
2	Construction contract	Fu Tsu Construction	Apr 1, 2018 - Jun 10, 2018	New construction contract for the new Longtan Plant
3	Construction contract	CTCI Smart Engineering Corporation	Apr 17, 2018 - Jul 16, 2018	piping project for Longtan Plant
4	Construction contract	Fengda Construction Co., Ltd	Apr 18, 2018 - Jun 30, 2018	Warehouse renovation project
5	Construction contract	Yingqiang Stainless Steel Co., Ltd.	Mar 20, 2018 - Nov 30, 2018	Laboratory project for Longtan Science Park branch

VI

Financial Profile

1. Condensed Balance Sheet and Income Statement in the Past Five Years

2. Financial Analysis in the Past Five Years

3. Supervisors' Review Report of the Latest Financial Report

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

5. Latest Individual Financial Statements Audited and Certified by CPAs

6. If the Company and Its Affiliates Encounter Any Financial Difficulties in the Past Year and as of the Date of Publication of the Annual Report, the Impact on the Company's Financial Status Shall Be Listed

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

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

Unit: NT$ thousand

Item \ Year		Financial analysis for the past five years				
		2014	2015	2016	2017	2018
Current assets		1,965,711	2,650,568	2,970,564	2,890,021	2,892,983
Property, plant and equipment		2,067,880	5,596,702	6,084,377	6,355,416	5,926,655
Intangible assets		11,211	13,195	26,635	22,442	20,141
Other assets		1,324,017	351,900	468,180	623,777	1,808,270
Total assets		5,368,819	8,612,365	9,549,756	9,891,656	10,648,049
Current liabilities	Before distribution	1,463,042	1,788,317	2,473,150	2,879,037	3,270,009
	After distribution	2,552,872	2,874,525	3,760,151	4,306,627	Not yet distributed
Non-current liabilities		189,069	2,604,492	1,293,657	684,647	444,770
Total liabilities	Before distribution	1,652,111	4,392,809	3,766,807	3,563,684	3,714,779
	After distribution	2,741,941	5,479,017	5,053,808	4,991,274	Not yet distributed
Interests attributable to parent company owner		3,070,952	3,478,209	4,808,012	5,195,246	5,730,295
Capital stock		1,302,350	1,303,001	1,352,142	1,352,211	1,362,864
Capital reserve		4,363	59,567	799,221	800,246	965,244
Retained earnings	Before distribution	1,758,316	2,115,246	2,682,853	3,168,454	3,561,343
	After distribution	1,068,070	1,385,565	1,820,733	2,265,255	Not yet distributed
Other interests		5,923	395	(26,204)	(34,603)	(68,094)
Treasury stock		-	-	-	(91,062)	(91,062)
Non-controlling interests	Before distribution	645,756	741,347	974,937	1,132,726	1,202,975
	After distribution	246,172	384,820	550,056	608,335	Not yet distributed
Total equity	Before distribution	3,716,708	4,219,556	5,782,949	6,327,972	6,933,270
	After distribution	2,626,878	3,133,348	4,495,948	4,900,382	Not yet distributed

Note: The information above was certified by the CPAs.

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

Unit: NT$ thousand

Item \ Year		Financial analysis for the past five years				
		2014	2015	2016	2017	2018
Current assets		806,658	1,532,292	1,257,523	939,927	969,355
Property, plant and equipment		1,103,267	1,751,836	2,278,534	2,565,903	3,088,696
Intangible assets		11,211	13,195	26,278	21,885	16,362
Other assets		1,670,325	1,761,881	2,371,639	2,828,394	3,100,454
Total assets		3,591,461	5,059,204	5,933,974	6,356,109	7,174,867
Current liabilities	Before distribution	408,879	529,117	860,470	1,075,882	1,364,218
	After distribution	1,099,125	1,258,798	,722,590	1,979,081	Not yet distributed
Non-current liabilities		111,630	1,051,878	265,492	84,981	80,354
Total liabilities	Before distribution	520,509	1,580,995	1,125,962	1,160,863	1,444,572
	After distribution	1,210,755	2,310,676	1,988,082	2,064,062	Not yet distributed
Interests attributable to parent company owner		3,070,952	3,478,209	4,808,012	5,195,246	5,730,295
Capital stock		1,302,350	1,303,001	1,352,142	1,352,211	1,362,864
Capital reserve		4,363	59,567	799,221	800,246	965,244
Retained earnings	Before distribution	1,758,316	2,115,246	2,682,853	3,168,454	3,561,343
	After distribution	1,068,070	1,385,565	1,820,733	2,265,255	Not yet distributed
Other interests		5,923	395	(26,204)	(34,603)	(68,094)
Treasury stock		-	-	-	(91,062)	(91,062)
Non-controlling interests	Before distribution	-	-	-	-	-
	After distribution	-	-	-	-	-
Total equity	Before distribution	3,070,952	3,478,209	4,808,012	5,195,246	5,730,295
	After distribution	2,380,706	2,748,528	3,945,892	4,292,047	Not yet distributed

Note: The information above was certified by the CPAs

(3) Concise Consolidated Income Statement - Adopting International Financial Reporting Standards

Unit: NT$ thousand

Item \ Year	Financial analysis for the past five years				
	2014	2015	2016	2017	2018
Operating revenue	6,282,859	7,247,855	9,185,021	9,388,128	9,183,321
Gross profit	5,561,235	6,385,141	7,919,032	7,864,684	7,329,264
Operating income	1,599,792	1,812,416	2,234,022	2,254,295	2,349,837
Non-operating income and expenses	89,426	70,188	78,477	151,175	76,827
Income from continuing operations before income tax	1,689,218	1,882,604	2,312,499	2,405,470	2,426,664
Net income of continuing business units	1,386,513	1,546,884	1,886,920	1,934,732	1,890,072
Loss of suspended business unit	-	-	-	-	-
Net income	1,386,513	1,546,884	1,886,920	1,934,732	1,890,072
Other comprehensive income, net of tax	7,702	(10,061)	(26,114)	(12,740)	(23,194)
Total comprehensive income	1,394,215	1,536,823	1,860,806	1,921,992	1,866,878
Net income attributable to stockholders of the parent	942,483	1,051,652	1,296,769	1,351,941	1,295,394
Net income attributable to non-controlling interests	444,030	495,232	590,151	582,791	594,678
Total comprehensive income attributable to stockholders of the parent	950,233	1,041,648	1,270,689	1,339,322	1,272,238
Total comprehensive income attributable to non-controlling interests	443,982	495,175	590,117	582,670	594,640
Earnings per share	7.24	8.07	9.82	10.03	9.57

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

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

Unit: NT$ thousand

Item \ Year	Financial analysis for the past five years				
	2014	2015	2016	2017	2018
Operating revenue	1,393,749	1,546,041	1,828,031	1,770,158	1,821,840
Gross profit	771,557	817,374	962,265	875,726	928,884
Operating income	331,987	315,185	321,370	272,045	193,808
Non-operating income and expenses	689,050	818,197	1,066,006	1,161,992	1,185,196
Income from continuing operations before income tax	1,021,037	1,133,382	1,387,376	1,434,037	1,379,004
Net income of continuing business units	942,483	1,051,652	1,296,769	1,351,941	1,295,394
Loss of suspended business unit	-	-	-	-	-
Net income	942,483	1,051,652	1,296,769	1,351,941	1,295,394
Other comprehensive income, net of tax	7,750	(10,004)	(26,080)	(12,619)	(23,156)
Total comprehensive income	950,233	1,041,648	1,270,689	1,339,322	1,272,238
Net income attributable to stockholders of the parent	942,483	1,051,652	1,296,769	1,351,941	1,272,394
Net income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to stockholders of the parent	950,233	1,041,648	1,270,689	1,339,322	1,272,238
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	7.24	8.07	9.82	10.03	9.57

Note: The information above was certified by the CPAs

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

Year	Accounting firm	Auditing CPAs	Audit opinion
2014	PKF Taiwan	Bo-Yan Hsu, Jing-Hsien Hsu	Revised unqualified opinion
2015	Ernst & Young Certified Public Accountants	Mars Hung, James Wang	Revised unqualified opinion
2016	Ernst & Young Certified Public Accountants	Mars Hung, James Wang	Unqualified opinion with emphasized paragraphs or other paragraphs
2017	Ernst & Young Certified Public Accountants	Mars Hung, Julia Lo	Unqualified opinion with emphasized paragraphs or other paragraphs
2018	Ernst & Young Certified Public Accountants	Mars Hung, Julia Lo	Unqualified opinion with emphasized paragraphs or other paragraphs

2. Financial Analysis

(1) Consolidated Financial Analysis

Item (Note 2)	Year (Note 1)	2014	2015	2016	2017	2018	Rate of change from 2017 to 2018
		Financial analysis for the past five years					
Financial structure (%)	Debt to asset ratio	30.77	51.01	39.44	36.03	34.89	-3%
	Long term capital to property, plant and equipment ratio	188.88	121.93	116.31	110.34	124.49	13%
Solvency (%)	Current ratio	134.36	148.22	120.11	100.38	88.47	-12%
	Quick ratio	114.91	126.81	101.20	81.59	69.36	-15%
	Interest coverage ratio	19,643.07	82.37	73.93	137.84	172.95	25%
Operating capacity	Receivable turnover rate (times)	65.81	71.86	59.69	50.52	54.28	7%
	Average cash recovery day	5.54	5.08	6.11	7.22	6.72	-7%
	Inventory turnover rate (times)	2.38	2.29	2.93	3.13	3.37	8%
	Payable turnover rate (times)	6.68	6.14	7.22	5.84	6.33	8%
	Days sales outstanding	153.36	159.39	124.57	116.61	108.30	-7%
	Property, plant and equipment turnover rate (times)	3.23	1.89	1.57	1.51	1.50	-1%
	Total asset turnover rate (times)	1.26	1.04	1.01	0.97	0.89	-8%
Profitability	Return on assets (%)	27.74	22.40	21.07	20.05	18.51	-8%
	Return on equity (%)	39.97	38.98	37.73	31.95	28.51	-11%
	Pre-tax net profit to paid-in capital ratio (%)	129.71	144.52	174.19	177.90	178.75	0%
	Net profit rate (%)	22.07	21.34	20.54	20.61	20.58	0%
	Earnings per share (NT$)	7.24	8.07	9.82	10.03	9.57	-5%
Cash flow	Cash flow ratio (%)	131.35	73.08	113.34	86.68	73.93	-15%
	Cash flow adequacy ratio (%)	108.71	81.49	88.10	91.67	90.83	-1%
	Cash reinvestment ratio (%)	19.47	2.62	19.78	13.81	10.28	-26%
Leverage	Operating leverage	1.66	1.65	1.57	1.71	1.73	1%
	Financial leverage	1.00	1.00	1.01	1.01	1.01	0%

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

1. Cash flow ratio: Mainly due to a decrease in interest expenses.
2. Cash reinvestment ratio: Mainly due to an increase of plant equipment investment, which increase non-current asset, and a decrease in cash inflow from operating activities.

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

Note 2: The financial ratios are calculated as follows:

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

(2) Individual Financial Analysis

Item (Note 2)	Year (Note 1)	2014	2015	2016	2017	2018	Rate of change from 2017 to 2018
		Financial analysis for the past five years					
Financial structure (%)	Debt to asset ratio	14.49	31.25	18.97	18.26	20.13	10%
	Long term capital to property, plant and equipment ratio	288.47	258.59	222.67	205.78	188.13	-9%
Solvency (%)	Current ratio	197.29	289.59	146.14	87.36	71.06	-19%
	Quick ratio	138.58	230.24	106.36	56.06	45.24	-19%
	Interest coverage ratio	11,873.52	174.75	103.74	284.57	216.47	-24%
Operating capacity	Receivable turnover rate (times)	7.66	7.75	8.01	7.53	7.56	0%
	Average cash recovery day	47.65	47.10	45.57	48.47	48.28	0%
	Inventory turnover rate (times)	2.74	2.63	2.63	2.66	2.71	2%
	Payable turnover rate (times)	7.44	6.48	7.71	8.66	7.67	-11%
	Days sales outstanding	133.21	138.78	138.78	137.22	134.69	-2%
	Property, plant and equipment turnover rate (times)	1.37	1.08	0.91	0.73	0.64	-12%
	Total asset turnover rate (times)	0.41	0.36	0.33	0.29	0.27	-7%
Profitability	Return on assets (%)	27.73	24.44	23.80	22.07	19.22	-13%
	Return on equity (%)	32.26	32.12	31.30	27.03	23.71	-12%
	Pre-tax net profit to paid-in capital ratio (%)	78.40	87.00	104.50	106.05	101.58	-4%
	Net profit rate (%)	67.62	68.02	70.94	76.37	71.10	-7%
	Earnings per share (NT$)	7.24	8.07	9.82	10.03	9.57	-5%
Cash flow	Cash flow ratio (%)	149.86	-	112.55	67.61	24.07	-64%
	Cash flow adequacy ratio (%)	76.99	49.34	44.84	42.32	35.00	-17%
	Cash reinvestment ratio (%)	-	-	3.87	(2.06)	(7.58)	268%
Leverage	Operating leverage	2.06	1.96	3.22	4.07	5.54	36%
	Financial leverage	1.00	1.02	1.04	1.02	1.03	1%

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

1. Interest coverage ratio: Mainly due to an increase in interest expenses.
2. Cash flow ratio: The decrease of financial assets held for trading resulted in an increase of operating cash inflow in 2017, which was not the case in 2018.
3. Cash reinvestment ratio: Mainly due to an increase in plant equipment investment, which increase non-current assets, and a decrease in net cash flow inflows from operating activities.
4. Operating leverage: Mainly due to an increase in operating cost and expenses, decreasing in operating income.

Note 1: The information above was certified by accountants.

Note 2: The financial ratios are calculated as follows:

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

3. Supervisors' Review Report on the Latest Financial Report

Supervisors' Review Report

The Board of Directors has prepared the financial statements, the individual and consolidated financial statements, the business report and the earnings distribution table of the Company for the year of 2018. After the Supervisors' verification of the books and investigation of the facts, we are of the opinion that the above-mentioned documents correspond to the facts, and hereby issue this report according to the law for your future reference.

To

2019 General Shareholders' Meeting of Grape King Bio Ltd.

Supervisors

Chih-Shen Chang

Hsing Chun Chen

Feb 25, 2019

4. Latest Consolidated Financial Statements of the Parent Company and Subsidiaries Audited and Certified by CPAs: Please refer to Appendix Ⅰ

5. Latest Individual Financial Statements Audited and Certified by CPAs: Please refer to Appendix Ⅱ

6. If the Company and its affiliates encountered any financial difficulties in the most recent year and as of the date of publication of the annual report, please describe their impact on the financial status of the Company: Nil.

VII

Review and Analysis of Financial Status and Business Results and Risk Issues

1. Financial Status
2. Financial Performance
3. Cash Flow
4. Impact of Major Capital Expenditure in the Past Year on the Financial Status
5. Re-investment Policy in the Past Year, the Main Reason for Its Profit or Loss, the Improvement Plan and Investment Plan in the Next Year
6. Analysis and Assessment of Risk Issues in the Past Year and as of the Date of Publication of the Annual Report
7. Other Important Matters

1. **Financial Status**

Main reasons for significant changes in assets, liabilities and equity in the last two years and their impact:

Unit: NT$ thousand; %

Item \ Year	December 31, 2018	December 31, 2017	Difference	% of change
Current assets	2,892,983	2,890,021	2,962	0.10%
Property, plant and equipment	5,926,655	6,355,416	(428,761)	(6.75%)
Intangible assets	20,141	22,442	(2,301)	(10.25%)
Other assets	1,808,270	623,777	1,184,493	189.89%
Total assets	10,648,049	9,891,656	756,393	7.65%
Current liabilities	3,270,009	2,879,037	390,972	13.58%
Long-term liabilities	292,795	518,670	(225,875)	(43.55%)
Other liabilities	151,975	165,977	(14,002)	(8.44%)
Total liabilities	3,714,779	3,563,684	151,095	4.24%
Common stock	1,362,864	1,352,211	10,653	0.79%
Additional paid-in capital	965,244	800,246	164,998	20.62%
Retained earnings	3,561,343	3,168,454	392,889	12.40%
Other components of equity	(68,094)	(34,603)	(33,491)	(96.79%)
Treasury stock	(91,062)	(91,062)	0	0.00%
Non-controlling interests	1,202,975	1,132,726	70,249	6.20%
Total equity	6,933,270	6,327,972	605,298	9.57%

Analysis and description (for the changes of 20% or more, and the changes with an amount of NT$10 million or more):

i. Other assets: Main due to subsidiary's the Neihu Building was completed, which caused some real estate, plant and equipment to be reclassified to investment real estate.

ii. Long-term liabilities: Mainly due to repayment of long-term borrowings.

iii. Additional paid-in capital: Mainly due to convertible corporate bonds converted into common stock.

iv. Other components of equity: In 2018, the Company remeasured the investment of unlisted listed companies from the method of the cost to the fair value in accordance with IFRS 9 and exchange differences on translation of foreign financial statements.

2. Financial Performance

Main reasons for significant changes in operating income, net operating profit and pre-tax net profit in the last two years, sales forecast and the basis, and possible impact on the Company's future financial status and the contingency plan:

Unit: NT$ thousand; %

Item \ Year	2018	2017	Difference	% of change
Operating revenues	9,183,321	9,388,128	(204,807)	(2.18%)
Operating costs	(1,854,057)	(1,523,444)	(330,613)	21.70%
Gross profit	7,329,264	7,864,684	(535,420)	(6.81%)
Operating expenses	(4,979,427)	(5,610,389)	630,962	(11.25%)
Operating income	2,349,837	2,254,295	95,542	4.24%
Non-operating income and expenses	76,827	151,175	(74,348)	(49.18%)
Income from continuing operations before income tax	2,426,664	2,405,470	21,194	0.88%
Income tax expense	(536,592)	(470,738)	(65,854)	13.99%
Net income	1,890,072	1,934,732	(44,660)	(2.31%)
Other comprehensive income	(23,194)	(12,740)	(10,454)	82.06%
Total comprehensive income	1,866,878	1,921,992	(55,114)	(2.87%)
Net profit attributable to the Stockholders of the parent	1,295,394	1,351,941	(56,547)	(4.18%)
Net profit attributable to non-controlling interests	594,678	582,791	11,887	2.04%
Total comprehensive income (loss) attributable to the Stockholders of the parent	1,272,238	1,339,322	(67,084)	(5.01%)
Total comprehensive income (loss) attributable to non-controlling interests	594,640	582,670	11,970	2.05%

Analysis and description (for the change of 20% or more, and the amount of change of NT$10 million or more):

i. Operating costs: Mainly due to OEM performance grows and the OEM cost rate is higher, which increases operating costs.

ii. Non-operating income and expenses: The recognition Governmental road widening subsidy in 2017, which was not the case in 2018.

iii. Other comprehensive income: In 2018, the Company re-measured the investment of unlisted listed companies from the method of the cost to the fair value in accordance with IFRS 9 and exchange differences on translation of foreign financial statements.

3. Cash Flow

(1) Cash flow analysis for the current year:

Unit: NT$ thousand; %

Beginning cash balance (1)	Net cash flow from operating activities throughout the year (2)	Net cash flow from investment and financing activities throughout the year (3)	Cash surplus (Deficit) (1)+(2)+(3)	Leverage of Cash Deficit	
				Investment plan	Financing plan
1,920,497	2,417,429	(2,287,702)	2,050,224	-	-

I. Analysis of changes in cash flow:

(i) Operating activities: Operational source reflected as the source of net cash flow driven by continued operating growth and steady earnings.

(ii) Investment activities: Construction of Longtan plant and purchase of machinery and equipment were the major investments that led to an outflow of cash.

(iii) Financing activities: The net cash outflow from financing activities mainly due to cash dividends paid in 2017.

II. Remedy for a lack of liquidity: Not applicable.

(2) Analysis of cash flow in the coming year

Unit: NT$ thousand

Beginning cash balance (1)	Net cash flow from operating activities throughout the year (2)	Net cash flow forecast for the year (3)	Cash surplus (Deficit) forecast (1)+(2)+(3)	Leverage of Cash Deficit	
				Investment plan	Financing plan
2,050,224	2,392,455	(2,303,473)	2,139,206	-	-

Analysis and description:

i. The forecasted net cash inflow from operating activities is mainly due to the continued business growth and an increase in revenue.

ii. The forecasted net cash outflow for the whole year is mainly due to the capital expenditure of the plants and equipment in Longtan, and the payment of cash dividend.

(3) Remedy for a lack of liquidity: Not applictible.

4. Impact of Major Capital Expenditure in the Past Year on the Financial Status

The Company built the Grape King BioTech Research Institute Longtan for the Company's capacity increase, product development and day-to-day operational needs. The amount of property, plant and equipment purchased by the Company in 2018 was NT$1.1 billion, and the source of funds was mainly its own funds. This has no significant impact on the Company's financial operations.

5. Re-investment Policy in the Past Year, the Main Reason for Its Profit or Loss, the Improvement Plan and Investment Plan in the Next Year

(1) Reinvestment policy in the past year: Vigilantly evaluate investment plans that are in line with the long-term development strategy.

(2) Main reasons for profit or loss and improvement plan:

The Company's main reinvestment businesses are as follows:

i. Pro-Partner Co., Ltd.

(i) The net income was NT$1,486,696 thousand in 2018, and the Company holds 60% of its shares. The profit recognized was NT$892,018 thousand.

(ii) Pro-Partner Co., Ltd. mainly sells health food products of the Company. In recent years, the concept of health care has become popular, and the related products of the Company are effective and widely recognized by consumers, thus generating a good business performance.

ii. Shanghai Grape King Enterprise Co., Ltd. (100% owned by BVI GRAPE KING INTERNATIONAL INVESTMENT INC)

(i) The net income was NT$198,012 thousand in 2018.

(ii) Shanghai Grape King Enterprise Co., Ltd. mainly focuses on OEM and ODM orders. As the health food demand increases in various sales channels such as direct sales and e-commerce, it is actively soliciting OEM orders, and in the future it will continue cooperating with its parent company in Taiwan to increase the business volume.

iii. Rivershine Ltd.

(i) The net income was NT$9,827 thousand in 2018.

(ii) Rivershine Ltd. mainly sells the beverage and health care products of the Company. It is actively expanding its physical channels and increase marketing partners.

iv. Shanghai Yi Zhao Trading Co., Ltd. (100% owned by BVI GRAPE KING INTERNATIONAL INVESTMENT INC)

(i) The net income was NT$294 thousand in 2018.

(ii) Shanghai Yi Zhao Trading Co., Ltd. mainly sells the health care products of the Company. It will continue expanding its physical channels and increase marketing partners.

v. Dongpu Biotech Corporation

(i) The net income was NT$7,610 thousand in 2018.

(ii) Dongpu Biotech Corporation sold the health food produced by the Company. The main source of profit throughout the period was subsidy from the Guanrong program. It aims to diversify its distribution channel and to acquire multiple marketing partners.

(3) Investment plan in the coming year: For developing ASEAN market, the Company will sign a Joint Venture Contract, establishing new company in Malaysia

6. Analysis and Assessment of Risk Issues in the Past Year and as of the Date of Publication of the Annual Report

(1) The impact of interest and exchange rate changes and inflation on the Company's profit and loss and future counter measures:

i. Interest rate changes: The interest rate risk of the Company and its subsidiaries mainly comes from bank loans. The interest expense of bank loans in 2018 was 0.52% of the pre-tax net profit. Therefore, interest rate changes have little effect on the profit and loss of the Company. In the future the Company will adjust its use of funds in response to interest rate changes.

ii. Exchange rate changes: The business of the Company and its subsidiaries mainly depends on the local market and raw materials, and less on imported raw materials and exports. Therefore, the ratios of foreign currency assets to total assets and foreign currency liabilities to total liabilities are small, and the impact of exchange rate changes on the Company is limited.

iii. Inflation: The price indices of the places where the Company and its subsidiaries operate are stable, and there has been no significant inflation. The Company will keep paying attention to the fluctuation of prices in various places and take timely measures to minimize the impact

(2) Policies of engagement in high-risk and highly leveraged investments, loans to others, endorsements and guarantees and derivative trading, main reasons for profit or loss and future counter measures:

i. Engagement in high-risk and highly leveraged investments and derivative trading: Nil.

ii. Endorsements and guarantees: In 2018 and as of now in 2019, the Company's principal objects of endorsements and guarantees are its 100% owned subsidiaries, and the procedures are carried out pursuant to the Company's "Procedures for Endorsements and Guarantees".

iii. Loans to others: Nil.

(3) Future R&D projects and estimated R&D expenses:

The Company has placed increasing emphasis on the R&D of low fertility rate and the aging population in the face of changes in social structure and acceleration of consumption pattern. Relevant research includes improving the quality of sleep and preventing neurodegenerative diseases, such as Alzhemier's disease and Parkinson's disease. In addition, we have been investing in anti-aging probiotics and Hericium mushroom king R&D. As for the younger kids, we focus on probiotics and Hericium erinaceus products that can increase learning capacity and memory. Probiotic products are suitable for a wide range of consumer groups. We will continue to augment our series of probiotics-related products through exploring the application of lactic acid in the field of intestinal microbiology and pet-related products. The human clinical research cases include lactic acid bacteria for reducing body fat, prevention of Parkinson's disease, and hearing loss improvement for the elderly. The estimated investment amount in 2019 is NT$77,576 thousands.

(4) The impact of important domestic and overseas policy and regulation changes on the financial status of the Company and counter measures: All businesses of the Company shall be handled in accordance with the regulations of the competent authority, and shall stay vigilant to any revisions made by the competent authority at all times. As of the date of publication of the annual report, the Company has not been affected by any important domestic or international policy or law changes.

(5) The impact of technological and industrial changes on the financial status of the Company and counter measures: Nil.

(6) The impact of corporate image change on the Company's crisis management and counter measures: Nil.

(7) Expected benefits and possible risks of plant expansion: Nil.

(8) Expected benefits and possible risks of plant expansion: To meet business growth requirements, strengthen the competitive advantage and improve the production line in order to create a positive effect on the operating efficiency, The Company is constructing Biotech Research Institute in Longtan Science Park which is expected to become operational and production at

the 3rd quarter of 2019, and the capacity expansion will cause an increase in the initial capital expenditures and subsequent operating costs. The Company therefore will evaluate industrial changes at all times to reduce operational risks.

(9) The impact of concentration of purchase or sales and counter measures: The risk is not significant due to a lack of concentration of the Company's purchase and sales.

(10) The impact of mass share transfer of or change of Directors, Supervisors or shareholders holding more than 10% of the Company's shares, the risks and counter measures: Nil.

(11) The impact of the change of management on the Company, the risks and counter measures: Nil.

(12) If there is any litigation or non-litigation, please list the significant litigation, non-litigation or administrative litigation with its judgment already made or pending which is related to the Company or the Company's Directors, Supervisors, General Manager, actual person in charge, shareholders holding more than 10% of the Company's shares or affiliates. If the result may have a significant impact on the shareholders' equity or the price of the Company's shares, please disclose the fact of the dispute, the claim amount, the date of commencement of the litigation, the principal litigants and the handling of the situation as of the date of publication of the annual report:

Litigation start date	Party	Amount involved	Fact	Current status
December 29, 2016	Andrew Tseng and 8 other people	Aggregated sales is about 3.3 million	On December 28, 2016, the media reported that the Company was suspected of the "effective period tampering event".	Andrew Tseng and 7 other people are given a deferred Prosecution by the Taiwan Taipei District Prosecutors Office Investigation and the rest are given no Prosecution on 3 Jan, 2019.
January 10, 2017	Mei-Ching Tseng	The transaction spread of 17.6 million has been voluntarily returned to Pro-Partner Ltd. in Jan 2017, without damage to the firm.	On January 11, 2017, the media reported that the Company was suspected of the "fraud of emptying the company".	The Taipei District Prosecutors Office has made a ruling not to prosecute the Betrayal of the fiduciary duty by receiving illegal benefit from the vendor, but has initiated a public related to the virtual company on 3 Jan, 2018.

(13) Other important risks and counter measures: Nil.

7. Other Important Matters: Nil

VIII

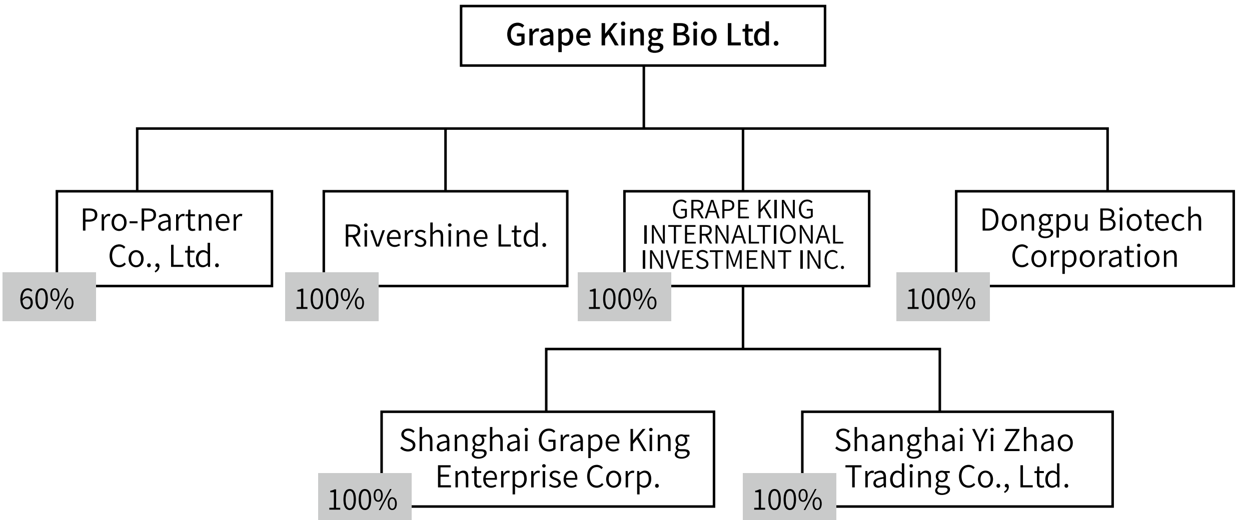
Special Notes

1. Information about the Company's Affiliates
2. Private Securities in the Past Year and as of the Date of Publication of the Annual Report
3. Holding or Disposal of the Company's Shares by Affiliates in the Past Year and as of the Date of Publication of the Annual Report
4. Other Necessary Supplementary Notes
5. Matters in the Past Year and as of the Date of Publication of the Annual Report Which Have a Substantial Impact on Owner's Equity as Stipulated in Item 2, Paragraph 2 of Article 36 of the Securities Exchange Law

VIII. Special Disclosures

1. Information about the Company's Affiliates

(1) Organization chart



(2) Basic data of affiliates

Affiliate	Date of establishment	Address	Paid-in capital	Major business or products
Pro-Partner Co., Ltd.	Oct 22, 1993	1F, No. 1, Section 3 Longgang Road, Zhongli District, Taoyuan City	NT$176,000 thousand	Food, beverage and cosmetics
GRAPE KING INTERNATIONAL INVESTMENT INC.	Nov 30, 1993	CITCO Building, Wickhams Cay Road Town Tortola B. V. I	USD 24,890 thousand	Investment
Shanghai Grape King Enterprise Corp..	Apr 29, 1994	No. 518 Che Xin Road, Songjiang District, Shanghai, China	RMB 216,775 thousand	Health food, biotechnical products and related glass containers
Rivershine Ltd.	Jun 23, 2015	5F., No. 402, Section 2 Jinling Road, Pingzhen District, Taoyuan City	NT$30,000 thousand	Wholesale and retail of food, beverage and daily necessities
Shanghai Yi Zhao Trading Co., Ltd.	Nov 11, 2016	Build 4, No. 518, Che-Xin Road, Songjiang, Shanghai , China	RMB 1,022 thousand	Wholesale and retail of food, beverage and daily necessities
Dongpu Biotech Corporation	Jun 28, 2018	Room 204 &205, Building 9, Kejiyuan, Innovation, Dongwan Songshanhu New & Hi-Tech Industry Development Area, China	RMB 5,000 thousand	Wholesale and retail of biological products, food, beverage and daily necessities

(3) Information about common shareholders of entities presumed to have a controlling and subordinate relationship: Nil.

(4) Overview of the operations of the affiliates (in 2018and as of December 31, 2018)

Unit: NT$ thousand

Affiliate	Capital	Total asset	Total liabilities	Total equity	Operating income	Gross profit	Net income	Earnings (loss) per share (NT$)(after tax)
Pro-Partner Co., Ltd.	176,000	5,101,573	2,094,135	3,007,438	7,388,521	1,778,008	1,486,696	84.47
GRAPE KING INTERNATIONAL INVESTMENT INC.	791,983	819,338	-	819,338	-	(82)	199,996	-
Shanghai Grape King Enterprise Corp.	1,026,886	1,140,922	377,431	763,491	1,388,551	294,120	198,032	-
Rivershine Ltd.	30,000	138,075	99,838	38,237	161,788	11,828	11,886	4.0
Shanghai Yi Zhao Trading Co., Ltd.	4,560	4,618	3	4,615	147	71	294	-
Dongpu Biotech Corporation	23,200	32,489	2,523	29,966	4	(930)	7,610	-

Note: The exchange rate on December 31, 2018: RMB/NTD=4.472；USD/NTD=30.715
The average exchange rate in 2018: RMB/NTD=4.557；USD/NTD=30.175

(5) Information about the directors, supervisors and general managers of the affiliates

December 31, 2018 Unit: thousand shares, %

Affiliate	Title	Name or representative	Shareholding	
			Share	%
Pro-Partner Co., Ltd.	Director	Grape King Bio Ltd. Representative: Chang-Yeh Tseng Representative: Andrew Tseng Representative: Jin-Chu Chen Representative: Zhijia Chang	10,560	60
	Director	Pu Hsing Enterprise Co., Ltd. Representative：Mei-Ching Tseng	880	5
	Supervisor	Gongju Co., Ltd Representative：Ming-Shan Xu	880	5
GRAPE KING INTERNATIONAL INVESTMENT INC.	Chairman Director Director	Andrew Tseng Mei-Ching Tseng Zhijia Chang	-	-
Shanghai Grape King Enterprise Corp.	Chairman Director Director Supervisor	Chang-Yeh Tseng Andrew Tseng Yuan-Tsung Lin Yanxiang Huang	-	-
Rivershine Ltd.	Chairman Director Director	Grape King Bio Ltd. Representative: Andrew Tseng Representative: Mei-Ching Tseng Representative: Zhijia Chang	3,000	100
	Supervisor	Grape King Bio Ltd. Representative: Chang-Yeh Tseng		
Shanghai Yi Zhao Trading Co., Ltd.	Executive Director Supervisor	Chang-Yeh Tseng Mei-Ching Tseng	-	-
Dongpu Biotech Corporation	Executive Director Supervisor	Andrew Tseng Zhijia Chang	-	-

(6) Statement on the consolidated financial statements with the affiliates

The entities that are required to be included in the combined financial statements of Grape King Bio Ltd. as of December 31,2018 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard(s) No.10, “Consolidated and Separate Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Grape King Bio Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Grape King Bio Ltd.

By

Andrew Tseng
Chairman

Feb 25 2018

2. Private Securities in the Past Year and as of the Date of Publication of the Annual Report: Nil.

3. Holding or Disposal of the Company’s Shares by Affiliates in the Past Year and as of the Date of Publication of the Annual Report: Nil.

4. Other Necessary Supplementary Notes: Nil.

5. Matters in the Past Year and as of the Date of Publication of the Annual Report Which Have a Substantial Impact on Owner’s Equity or Share Price as Stipulated in Item 2, Paragraph 2 of Article 36 of the Securities Exchange Law: Nil.

Appendix I

Consolidated Financial Statements with Report of Independent Accountants for the Year Ended Dec 31, 2018 and 2017

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

Ticker: 1707

GRAPE KING BIO LTD.
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENEDED DECEMBER 31, 2018 AND 2017

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

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Grape King Bio Ltd. as of December 31, 2018 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Grape King Bio Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Grape King Bio Ltd.

By

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Sheng-Lin, Tseng
Chairman
February 25th, 2019

Independent Auditor's Report

To Grape King Bio Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Grape King Bio Ltd. (the "Company") and its subsidiaries as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditor (please refer to the Other Matter – Making Reference to the Audit of a Component Auditor section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2018 and 2017, and their consolidated financial performance and cash flows for the years ended December 31,2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

We have determined that revenue recognition is one of the key audit matters due to the following considerations. First of all, the consolidated revenue amounting to NT$9,183,321 thousand for the year ended December 31, 2018 is a significant account to the Company's consolidated financial statements. Secondarily, the Company's revenue sources include a variety of business models, including direct-sale, sale through distributors, subcontracting services, etc. The judgements needed for identifying performance obligations embedded in customer's orders or contracts and for determining the timing of satisfaction, the terms of members' bonus within direct selling contracts, and the shelf fee arrangement for part of distributors' contracts increase the complexity of the Company's revenue recognition. As a result, our audit procedures include, but are not limited to, evaluating the properness of performance obligations and revenue recognition accounting policies (mainly including assessing the sufficiency of management's accruals made for shelf fee arrangement involving considerations to be paid to customers) for distributors' sales, testing effectiveness of relevant internal controls established by the management, performing test of details sampled from the sale subledger, performing sale cutoff test, and subsequently reviewing and searching for significant sale allowances and returns, etc. With respect to the audit procedures for direct-sale revenue recognition by the Company's subsidiary, Pro-partner Inc., involving auditors have performed test on relevant internal controls (mainly including assessing the sufficiency of management's accruals made for members' bonus arrangement involving considerations to be paid to customers) for direct-sale contracts, test of details sampled from the sale subledger, sale cutoff test, and subsequent review and search for significant sale allowances and returns, etc. We, as the primary auditors, have reviewed and assessed the other auditors' procedures described above. We also consider the appropriateness of the disclosure of operating revenues in Note 6 to the consolidated financial statements.

Inventory valuation

The net carrying value of inventory as of December 31, 2018 for Grape King Bio Ltd. and its subsidiaries amounted to NT$562,831 thousand, which were significant to the consolidated financial statements. We have determined that valuation on inventory is one of the key audit matters in considering that the maturity of the Company's main products, including health foods and beverages, may be short and the policy for provision against inventory normally involves the management's significant judgment. Our audit procedures therefore mainly include, but are not limited to, assessing the appropriateness of policy for inventory provision including those for identifying slow-moving inventory and analysis on inventory movement, testing the management's execution and compliance with the control policy for identifying products maturity including test on correctness of calculating the duration, analyzing the reasonableness of expiring inventory movement, examining the compliance of computing net realizable value of inventory based on different product maturity, and performing the observation procedure on the Company's inventory physical taking, etc. We also considered the appropriateness of the disclosure of inventories in Note 5 and 6 to the consolidated financial statements.

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

We did not audit the financial statements of Pro-partner Inc., a 60%-owned subsidiary of the Company, while they were audited by the other auditors. Our audits, insofar as it relates to the financial statements of Pro-partner Inc. are based solely on the reports of the other auditors. As of December 31, 2018 and 2017, total assets of Pro-partner Inc. were NT$5,076,770 thousand and NT$4,950,253 thousand, representing 47.68% and 50.04% of the consolidated total assets of the Company, while the operating revenues for the years then ended were NT$7,388,521 thousand and NT$8,050,198 thousand, representing 80.46 % and 85.75% of the consolidated operating revenues.

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have audited and expressed an unqualified opinion including and Other Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2018 and 2017.

Hong, Mao-Yi

Lo, Hsiao-Chin

ERNST & YOUNG
February 25th, 2019
Taipei, Taiwan,
Republic of China

<u>Notices to Readers</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
GRAPE KING BIO LTD.
CONSOLIDATED BALANCE SHEETS
As of December 31, 2018 and 2017
(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	2018	2017
Current assets			
Cash and cash equivalents	4,6(1)	$2,050,224	$1,920,497
Financial assets at fair value through profit or loss, current	4,6(2)	-	70,376
Financial assets measured at amortized cost	3,4,6(5)	38,214	-
Debt investments without active market	3,4,6(6)	-	180,075
Notes receivable, net	4,6(7)	3,597	5,753
Accounts receivable, net	4,6(8)	167,648	154,616
Other receivables	4	3,818	6,111
Inventories, net	4,5,6(9)	562,831	492,058
Prepayments	6(10)	61,943	48,892
Other current assets	6(10)	4,708	11,643
Total current assets		2,892,983	2,890,021
Non-current assets			
Financial assets at fair value through other comprehensive income	3,4,5,6(3)	10,892	-
Financial assets measured at amortized cost	3,4,6(5),8	11,460	-
Financial assets measured at cost	3,4,6(4)	-	28,028
Debt investments without active market	3,4,6(6),8	-	4,460
Property, plant and equipment	4,6(11),8	5,926,655	6,355,416
Investment properties	4,6(12)	1,485,928	185,985
Intangible assets	4,6(13)	20,141	22,442
Deferred tax assets	4,5,6(27)	8,032	5,752
Other assets-others	6(10)	291,958	399,552
Total non-current assets		7,755,066	7,001,635
Total assets		$10,648,049	$9,891,656

Liabilities and Stockholders' Equity	Notes	2018	2017
Current liabilities			
Short-term debt	4,6(14),8	$800,000	$300,000
Contract liabilities	3,6(23)	106,317	-
Notes payable		1,756	7,207
Accounts payable		260,479	316,108
Other payables	6(15)	1,686,465	1,618,259
Other payables-related parties	7	35,622	32,773
Current tax liabilities	4,5,6(27)	303,844	250,431
Other current liabilities	6(16),7	49,514	151,078
Current portion of bonds payable	4,6(17)	-	171,207
Current portion of long-term loans payable	4,6(18),8	26,012	31,974
Total current liabilities		3,270,009	2,879,037
Non-current liabilities			
Long-term debt	4,6(18),8	292,795	518,670
Deferred tax liabilities	4,5,6(27)	68,628	68,463
Other liabilities	4,5,6(19)	83,347	97,514
Total non-current liabilities		444,770	684,647
Total liabilities		3,714,779	3,563,684
Equity attributable to the parent company			
Capital	6(22)		
Common stock		1,362,864	1,352,211
Additional paid-in capital	6(17)(22)	965,244	800,246
Retained earnings	6(22)		
Legal reserve		810,407	675,213
Special reserve		74,671	74,671
Unappropriated earnings		2,676,265	2,418,570
Other components of equity		(68,094)	(34,603)
Treasury stock	4,6(22)	(91,062)	(91,062)
Non-controlling interests	6(22)(29)	1,202,975	1,132,726
Total equity		6,933,270	6,327,972
Total liabilities and equity		$10,648,049	$9,891,656

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GRAPE KING BIO LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017

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

	Notes	2018	2017
Operating revenues	3,4,6(23),7	$9,183,321	$9,388,128
Operating costs		(1,854,057)	(1,523,444)
Gross profit		7,329,264	7,864,684
Operating expenses	7		
Sales and marketing		(4,274,566)	(4,983,215)
General and administrative		(520,292)	(467,511)
Research and development		(184,569)	(159,663)
Operating expenses total		(4,979,427)	(5,610,389)
Operating income		2,349,837	2,254,295
Non-operating income and expenses			
Other income	6(25),7	151,370	177,933
Other gain and losses	6(25)	(60,430)	(9,179)
Finance costs	6(25)	(14,113)	(17,579)
Non-operating income and expenses total		76,827	151,175
Income from continuing operations before income tax		2,426,664	2,405,470
Income tax expense	4,6(27)	(536,592)	(470,738)
Net income		1,890,072	1,934,732
Other comprehensive income (loss)	6(26)		
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain (loss) from defined benefit plans		816	(5,267)
Unrealized gains or losses on financial assets at fair value through other comprehensive income (loss)		(7,495)	-
Income tax related to items that may not be reclassified subsequently		(160)	926
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(16,355)	(8,399)
Income tax related to items that may be reclassified subsequently		-	-
Total other comprehensive income(loss), net of tax		(23,194)	(12,740)
Total comprehensive income		$1,866,878	$1,921,992
Net income attributable to:			
Stockholders of the parent		$1,295,394	$1,351,941
Non-controlling interests	6(29)	594,678	582,791
		$1,890,072	$1,934,732
Total comprehensive income attributable to:			
Stockholders of the parent		$1,272,238	$1,339,322
Non-controlling interests	6(29)	594,640	582,670
		$1,866,878	$1,921,992
Earnings per share-basic (In NTD)	6(28)	$9.57	$10.03
Earnings per share-diluted (In NTD)	6(28)	$9.50	$9.93

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GRAPE KING BIO LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollar)

			Retained Earnings			Other Components of equity					
	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains or Losses on Financial Assets Measured at Fair Value through Other Comprehensive Income	Treasury stock	Total	Non-Controlling Interests	Total Equity
Balance as of January 1, 2017	$1,352,142	$799,221	$545,536	$74,671	$2,062,646	$(26,204)	$-	$-	$4,808,012	$974,937	$5,782,949
Appropriations of prior year's earnings											
Legal reserve			129,677		(129,677)				-	-	-
Cash dividends					(862,120)				(862,120)	(424,881)	(1,287,001)
Shares from bonds converted	69	1,025							1,094	-	1,094
Net income, 2017					1,351,941				1,351,941	582,791	1,934,732
Other comprehensive income, 2017					(4,220)	(8,399)			(12,619)	(121)	(12,740)
Total comprehensive income					1,347,721	(8,399)			1,339,322	582,670	1,921,992
Treasury stock								(91,062)	(91,062)		(91,062)
Balance as of December 31, 2017	$1,352,211	$800,246	$675,213	$74,671	$2,418,570	$(34,603)	$-	$(91,062)	$5,195,246	$1,132,726	$6,327,972
Balance as of January 1, 2018	$1,352,211	$800,246	$675,213	$74,671	$2,418,570	$(34,603)	$-	$(91,062)	$5,195,246	$1,132,726	$6,327,972
Impact of retroactive applications							(9,641)		(9,641)		(9,641)
Adjusted balance as of January 1, 2018	1,352,211	800,246	675,213	74,671	2,418,570	(34,603)	(9,641)	(91,062)	5,185,605	1,132,726	6,318,331
Appropriations of prior year's earnings											
Legal reserve			135,194		(135,194)				-		-
Cash dividends					(903,199)				(903,199)	(524,391)	(1,427,590)
Shares from bonds converted	10,653	158,547							169,200	-	169,200
Other		6,451							6,451	-	6,451
Net income, 2018					1,295,394				1,295,394	594,678	1,890,072
Other comprehensive income, 2018					694	(16,355)	(7,495)		(23,156)	(38)	(23,194)
Total comprehensive income					1,296,088	(16,355)	(7,495)		1,272,238	594,640	1,866,878
Balance as of December 31, 2018	$1,362,864	$965,244	$810,407	$74,671	$2,676,265	$(50,958)	$(17,136)	$(91,062)	$5,730,295	$1,202,975	$6,933,270

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
GRAPE KING BIO LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017
(Amounts Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities:		
Net income before tax	$2,426,664	$2,405,470
Adjustments to reconcile net income (loss) before tax to net cash provided by (used in) operating activities:		
Depreciation	254,140	218,064
Amortization	7,330	6,608
Expected credit loss(gain) through profit or loss	(117)	43
Net gain of financial assets at fair value	(489)	(723)
Interest expense	14,113	17,579
Interest income	(7,204)	(4,632)
Dividend income	(2)	(2)
Loss from disposal of property, plant and equipment	3,739	7,274
Changes in operating assets and liabilities:		
Financial asset held for trading	-	276,496
Financial assets mandatorily measured at fair value through profit or loss	205,019	-
Notes receivable	2,156	(655)
Accounts receivable	(12,915)	41,748
Accounts receivable-related parties	-	2,907
Other receivables	2,436	(2,023)
Inventories	(70,773)	(57,068)
Prepayments	(10,401)	(13,956)
Other current assets	6,935	(5,907)
Contract liabilities	23,232	-
Notes payable	(5,451)	(4,128)
Accounts payable	(55,629)	129,371
Other payables	152,825	9,379
Other payables-related parties	2,849	(306)
Advance receipts	(6,375)	33,809
Other current liabilities	(19,155)	(48,349)
Accrued pension liabilities	(5,116)	(14,249)
Cash generated from operations	2,907,811	2,996,750
Interest received	7,061	4,600
Interest paid	(12,678)	(14,102)
Income tax paid	(484,765)	(491,592)
Net cash provided by (used in) operating activities	2,417,429	2,495,656

	2018	2017
Cash flows from investing activities:		
Disposal of financial assets measured at amortized cost	3,956	-
Acquisition of bond investments without active market	-	(136,950)
Acquisition of property, plant and equipment	(1,116,483)	(772,361)
Disposal of property, plant and equipment	73	580
(Incerase) decrease in refundable deposits	(3,448)	5,422
Acquisition of intangible assets	(5,028)	(2,415)
Other non-financial assets	(7,208)	(2,577)
Cash dividends received	2	2
Net cash provided by (used in) investing activities	(1,128,136)	(908,299)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	500,000	250,000
Repayment of bonds payable	(3,325)	-
Repayment of long-term loans	(231,837)	(435,966)
Increase(Decrease) deposits received	10,429	2,513
Cash dividends	(1,427,590)	(1,287,001)
Cost of Treasury stock	-	(91,062)
Other	6,451	-
Net cash provided by (used in) financing activities	(1,145,872)	(1,561,516)
Effect of exchange rate changes on cash and cash equivalents	(13,694)	(4,646)
Net increase (decrease) in cash and cash equivalents	129,727	21,195
Cash and cash equivalents at beginning of period	1,920,497	1,899,302
Cash and cash equivalents at end of period	$2,050,224	$1,920,497

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

1. History and organization

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

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

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended 31 December 2018 and 2017 were authorized for issuance at February 25, 2019 by the Board of Directors.

3. Newly issued or revised standards and interpretations

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

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

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

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

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

B. Sale of goods

Before 1 January 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from 1 January 2018, in accordance with IFRS 15, the Group recognized revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Group's revenue recognition from sale of goods. However, for some contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently. Before 1 January 2018, the Group recognized the consideration received in advance from customers under other current liabilities. Starting from 1 January 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Group as at the date of initial application was NT$83,085 thousand. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT$106,317 thousand and the contract liabilities increased by NT$106,317 thousand as of December 31, 2018.

C. The considerations paid to customers

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

Besides, in comparison with the requirement of IAS 18, operating revenues under IFRS 15 for the year ended December 31, 2018 are decreased by NT$883,132 thousand, respectively, selling and marketing expenses are decreased by NT$883,132 thousand, respectively.

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

In accordance with the transitional provisions of IFRS 15, the Group elects to recognize the cumulative effect of initially applying IFRS15 at the date of initial application (1 January 2018). If the Group had recorded the considerations paid to customers as a reduction against revenue in accordance with IFRS 15 for the year ended December 31, 2017, the impact on the income statement accounts then would have been as follows.

	For the year ended December 31, 2018 (Adopting IFRS 15)		For the year ended December 31, 2017 (If adopting IFRS 15)		For the year ended December 31, 2017 (Adopting IAS 18)	
account	Amount	%	Amount	%	Amount	%
Comprehensive Income:						
Operating revenues	$9,183,321	100.00	$8,546,178	100.00	$9,388,128	100.00
Operating costs	(1,854,057)	(20.19)	(1,523,444)	(17.83)	(1,523,444)	(16.23)
Gross profit	7,329,264	79.81	7,022,734	82.17	7,864,684	83.77
Operating expenses：						
Selling and marketing	(4,274,566)	(46.55)	(4,141,265)	(48.45)	(4,983,215)	(53.08)
General and administrative	(520,292)	(5.66)	(467,511)	(5.47)	(467,511)	(4.98)
Research and development	(184,569)	(2.01)	(159,663)	(1.87)	(159,663)	(1.70)
Operating expenses total	(4,979,427)	(54.22)	(4,768,439)	(55.79)	(5,610,389)	(59.76)
Operating income	2,349,837	25.59	2,254,295	26.38	2,254,295	24.01
Non-operating income and expenses	76,827	0.83	151,175	1.77	151,175	1.61
Income before income tax	2,426,664	26.42	2,405,470	28.15	2,405,470	25.62
Income tax expense	(536,592)	(5.84)	(470,738)	(5.51)	(470,738)	(5.01)
Net income	1,890,072	20.58	1,934,732	22.64	1,934,732	20.61
Total other comprehensive income, net of tax	(23,194)	(0.25)	(12,740)	(0.15)	(12,740)	(0.14)
Total comprehensive income	$1,866,878	20.33	$1,921,992	22.49	$1,921,992	20.47
Net income attributable to:						
Stockholders of the parent	$1,295,394	14.10	$1,351,941	15.82	$1,351,941	14.40
Non-controlling interests	594,678	6.48	582,791	6.82	582,791	6.21
	$1,890,072	20.58	$1,934,732	22.64	$1,934,732	20.61
Total comprehensive income attributable to:						
Stockholders of the parent	$1,272,238	13.85	$1,339,322	15.67	$1,339,322	14.26
Non-controlling interests	594,640	6.48	582,670	6.82	582,670	6.21
	$1,866,878	20.33	$1,921,992	22.49	$1,921,992	20.47

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

Earnings per share(NTD)						
Earnings per share-basic (In NT$)	9.57		10.03		10.03	
Earnings per share-diluted (In NT$)	9.50		9.93		9.93	

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

(b) IFRS 9"Financial Instruments"

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

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

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

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

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

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

IAS 39		IFRS 9				
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	Retained earnings adjustment	Other components of equity adjustment
Financial assets at fair value through profit or loss (Note 1)	$70,376	Measured at fair value through profit or loss (Note 1)	$70,376	$-	$-	$-
Available-for-sale financial assets (including investments measured at cost with initial investment cost of NT$28,028 thousand, reported as a separate line item) (Note 2)	28,028	Equity instruments measured at fair value through other comprehensive income	18,387	(9,641)	-	(9,641)
Loans and receivables (Note 3)						
Cash and cash equivalents	1,920,497	Cash and cash equivalents	1,920,497	-	-	-
Debt investments without active market (noncurrent included)	184,535	Financial assets measured at amortized costs (noncurrent included)	184,535	-	-	-
Notes receivables	5,753	Notes receivables	5,753	-	-	-
Accounts receivables (related parties included)	154,616	Accounts receivables (include related parties)	154,616	-	-	-
Other receivables	6,111	Other receivables	6,111	-	-	-
Subtotal	2,271,512	Subtotal	2,271,512	-	-	-
Total	$2,369,916	Total	$2,360,275	$(9,641)	$-	$(9,641)

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

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

Stocks (unlisted companies)

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

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

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

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

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

(c) Disclosure Initiative (Amendments to IAS 7 "Cash Flow Statement")

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

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

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

(a) IFRS 16"Leases"

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors' classification remains unchanged as operating or finance leases, but additional disclosure information is required.

(b) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

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

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

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

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

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

IFRS 3 “Business Combinations”

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

IFRS 11 “Joint Arrangements”

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

IAS 12 “Income Taxes”

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

IAS 23 “Borrowing Costs”

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

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

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2019. Apart from item (a) explained below, the remaining standards and interpretations have no material impact on the Group.

(a) IFRS 16 "Leases"

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

The impact arising from the adoption of IFRS 16 on the Group are summarized as follows:

A. For the definition of a lease, the Group elects not to reassess whether a contract is, or contains, a lease at the date of initial application (1 January 2019) in accordance with the transition provision in IFRS 16. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(i) Leases classified as operating leases

For leases that were classified as operating leases applying IAS 17, the Group expects to measure and recognize those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019 and the Group recognizes the right-of-use asset measuring at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease, on a lease-by-lease basis.

Accordingly, the Group expects that the right-of-use asset will increase by NT$215,938 thousand, lease liability by NT$210,697 thousand, and decommissioning liabilities by NT$5,241 thousand as of 1 January 2019.

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In addition, the leases in amount of NT$43,374 thousand classified as operating leases under IAS 17 and fully-paid on January 1, 2019 should be reclassified from the caption of long-term prepaid rental to right-of-use asset.

B. The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

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

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

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

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

(b) IFRS 17 “Insurance Contracts”

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

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

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

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

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

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

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

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group determined the standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

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

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

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

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

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

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

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

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

If the Company loses control of a subsidiary, it:

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

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The consolidated entities are listed as follows:

			Percentage of ownership (%)	
Investor	Subsidiary	Main businesses	December 31, 2018	December 31, 2017
The Company	Pro-partner Inc. (Pro-partner) (NOTE 2)	Sales	60%	60%
The Company	GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI) (GKBVI)	Investment	100%	100%
The Company	Rivershine Ltd. (Rivershine)	Sales	100%	100%
The Company	Dongpu Biotech Corporation	Sales	100% (NOTE 1)	-
GKBVI	Shanghai Grape King Enterprise Co., Ltd. (Shanghai Grape King)	Manufacturing and Sales	100%	100%
GKBVI	Shanghai Rivershine Ltd. (Shanghai Rivershine)	Sales	100%	100%

NOTE1: Dongpu Biotech Corporation was established in June 2018 as wholly-owned subsidiary of the company.

NOTE 2: The financial statements of Pro-partner are based solely on the reports of the other auditors. As of 31 December 2018 and 2017, total assets of Pro-partner were NT$5,076,770 thousand and NT$4,950,253 thousand, and the operating revenues for the years then ended were NT$7,388,521 thousand and NT$8,050,198 thousand, respectively.

(4) Foreign currency transactions

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

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

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

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IFRS 9 Financial Instruments (Before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

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

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

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

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

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

The accounting policy from 1 January 2018 is as follow:

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

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

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

Financial assets measured at amortized cost

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

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

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

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

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

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

Financial asset measured at fair value through other comprehensive income

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

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial asset measured at fair value through profit or loss

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

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

The accounting policy before 1 January 2018 was as follow:

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

Available-for-sale financial assets

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

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

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

Loans and receivables

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

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

B. Impairment of financial assets

The accounting policy from 1 January 2018 is as follow:

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

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

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

The loss allowance is measures as follow:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.

(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

<u>The accounting policy before 1 January 2018 was as follow:</u>

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

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

Other loss events include:

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

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

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

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

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

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

Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

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

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

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

(11) Property, plant and equipment

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

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

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

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

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

(12) Investment Property

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

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

Buildings	5～50 years

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

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

(13) Leasing

Group as a lessee

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

Group as a lessor

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

(14) Intangible assets

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

The useful lives of intangible assets is assessed finite.

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

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

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

	Cost of Computer Software	Cost of Trademark
Useful economic life	3 to 10 years	4 years
Amortization method	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight- line basis over the period of contract
Internally generated or acquired externally	Acquired externally	Acquired externally

(15) Impairment of non-financial assets

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

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

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

(16) Treasury stock

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

(17) Revenue recognition

The accounting policy from 1 January 2018 as follow:

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

Sale of goods

The Group manufactures and sells of goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. Revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

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

Rendering of services

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

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

The accounting policy before 1 January 2018 was as follow:

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

Sale of goods

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

Rendering of services

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

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

Interest income

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

Dividends

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

(18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(19) Government grants

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

(20) Post-employment benefits

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

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

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

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

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

(21) Income tax

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

Current income tax

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

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

Deferred income tax

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

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

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

5. Significant accounting judgements, estimates and assumptions

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

Estimates and assumptions

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

(a)Fair value of financial instruments

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

(b)Accounts receivables – estimation of impairment loss

Starting from January 1, 2018:

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

Before January 1, 2018:

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

(c) Inventory valuation

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

(d) Post-employment benefits

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

(e) Revenue recognition – sales returns and allowance

Starting from January 1, 2018:

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

Before January 1, 2018:

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

(f) Income tax

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

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

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2018	2017
Cash on hand	$4,254	$3,546
Checkings and savings	1,466,992	1,138,371
Repurchase agreements collateralized by corporate bonds	263,601	249,790
Repurchase agreements collateralized by bonds	315,377	528,790
Total	$2,050,224	$1,920,497

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

	As of December 31,	
	2018	2017
Financial assets held for trading:		
Monetary fund	$-	$70,000
Valuation adjustments	-	307
Subtotal	-	70,307
Embedded Derivatives:		
Right of redemption	-	69
Total	$-	$70,376

	As of December 31,	
	2018	2017
Current	$-	$70,376
Non-current	-	-
Total	$-	$70,376

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

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

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

	As of December 31,	
	2018	2017 (Note)
Equity instruments investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies stocks	$10,892	

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

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

b. For equity instrument investments measured at fair value through other comprehensive income, the Group recognized dividends in the amount of NT$2 thousand for the year ended 31 December, 2018.

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

(4) Financial assets measured at cost

	As of December 31,	
	2018(Note)	2017
Unlisted companies stocks		$28,028

	As of December 31,	
	2018 (Note)	2017
Current		$-
Non-current		28,028
Total		$28,028

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

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

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

Financial assets measured at cost were not pledged.

(5) Financial assets measured at amortized cost

	As of December 31,	
	2018	2017 (Note)
Time deposits	$49,674	
Current	$38,214	
Non-current	11,460	
Total	$49,674	

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

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

(6) Debt investments without active market

	As of December 31,	
	2018(Note)	2017
Time deposits		$184,535
Current		$180,075
Non-current		4,460
Total		$184,535

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

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

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

(7) Notes receivables

	As of December 31,	
	2018	2017
Notes receivables arising from operating activities	$3,597	$5,753
Less: loss allowance	-	-
Total	$3,597	$5,753

Notes receivables were not pledged.

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

(8) Accounts receivables

	As of December 31,	
	2018	2017
Accounts receivables	$170,979	$158,064
Less: loss allowance	(3,331)	(3,448)
Total	$167,648	$154,616

Accounts receivables were not pledged.

Accounts receivables are generally on the collection term of 30-135 days. The Group adopts IFRS 9 for impairment assessment since January 1, 2018 in considering the factors such as the counterparty and area to distinguish the different groups and to adopt the expected credit loss rate during the continuation period. The estimated loss ratio was small at December 31, 2018.

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

	Accounts receivables
As of January 1, 2018(in accordance with IAS 39)	$3,448
Beginning adjusted retained earnings	-
As of January 1, 2018(in accordance with IFRS 9)	3,448
Charge/(reversal) for the current period	(117)
Exchange differences	-
As of December 31, 2018	$3,331

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

	Individually impaired	Collectively impaired	Total
As of January 1, 2017	$-	$3,428	$3,428
Charge/(reversal) for the current period	-	43	43
Reclassification	-	(23)	(23)
Exchange differences	-	-	-
As of December 31, 2017	$-	$3,448	$3,448

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

		Past due but not impaired:			
As of	Neither past due nor impaired	<=90 days	90~180days	>180 days	Total
December 31, 2018	$157,410	$10,238	$-	$-	$167,648
December 31, 2017	145,643	8,700	262	11	154,616

(9) Inventories

	As of December 31,	
	2018	2017
Raw materials	$211,114	$106,816
Supplies	27,370	28,614
Semi-finished goods and Work in process	158,476	158,357
Finished goods	164,399	193,936
Merchandise	1,472	4,335
Total	$562,831	$492,058

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

a. The cost of inventories recognized in expenses in amount of NT$1,854,057 thousand and NT$1,523,444 thousand for the years ended December 31, 2018 and 2017, respectively, including the write-down of inventories, is detailed as following

	For the year ended December 31,	
	2018	2017
Inventory loss on retirement	$21,887	$21,835
Loss(gain) from physical taking	(1,045)	(1,668)
Total	$20,842	$20,167

b. No inventories were pledged.

(10) Prepayments and Other assets

	As of December 31,	
	2018	2017
Prepayment for purchase	$43,983	$23,000
Prepaid rental on land	43,373	46,023
Prepayment for equipment	187,963	307,293
Office supplies	4,689	6,199
Other prepaid expenses	13,271	19,694
Other current assets	4,708	11,643
Refundable deposits	26,931	23,483
Overdue receivable	2,267	2,267
Less: loss allowance	(2,267)	(2,267)
Defined benefit asset	3,730	-
Other noncurrent assets-other	29,961	22,752
Total	$358,609	$460,087
Current portion	$66,651	$60,535
Noncurrent portion	291,958	399,552
Total	$358,609	$460,087

a. The amount recognized under the caption of “prepaid rental on land” is the land-transferring fees prepaid to the Ministry of Land and Resource of the People's Republic of China for acquiring the right to use the land in Shanghai Songjiang Industrial Zone. Shanghai Grape King rent the land for constructing the manufacturing plant from October 1997 to March 2044. All fees were paid in full when the lease agreement was entered into and have been amortized over the lease term.

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

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

(11) Property, plant and equipment

	Land	Land Improvement	Building	Machinery	Vehicle	Leasehold improvement	Other facilities	Construction in progress	Total
Cost:									
As of Jan. 1, 2018	$3,055,915	$1,974	$3,167,264	$1,167,117	$12,973	$34,635	$344,919	$311,633	$8,096,430
Additions	-	-	340,293	52,901	4,652	1,203	73,540	434,815	907,404
Disposals	-	-	-	(30,790)	(1,046)	(4,512)	(4,303)	-	(40,651)
Transfers	(987,957)	-	(366,014)	68,152	-	16,809	3,681	110,520	(1,154,809)
Ex. Diff.	-	-	(7,395)	(3,049)	(56)	(52)	(394)	-	(10,946)
As of Dec. 31, 2018	$2,067,958	$1,974	$3,134,148	$1,254,331	$16,523	$48,083	$417,443	$856,968	$7,797,428
As of Jan. 1, 2017	$3,071,692	$940	$3,098,131	$1,123,652	$12,275	$7,090	$322,598	$52,047	$7,688,425
Additions	-	120	17,664	44,753	1,805	27,574	32,435	361,609	485,960
Disposals	(15,777)	-	(1,515)	(79,043)	(1,071)	-	(3,838)	-	(101,244)
Transfers	-	914	57,088	80,349	-	-	(6,061)	(102,023)	30,267
Ex. Diff.	-	-	(4,104)	(2,594)	(36)	(29)	(215)	-	(6,978)
As of Dec. 31, 2017	$3,055,915	$1,974	$3,167,264	$1,167,117	$12,973	$34,635	$344,919	$311,633	$8,096,430
Accumulated Depreciation:									
As of Jan. 1, 2018	$-	$687	$616,686	$857,073	$7,696	$10,050	$248,822	$-	$1,741,014
Depreciation	-	286	126,257	75,164	1,961	6,613	38,800	-	249,081
Disposals	-	-	-	(27,834)	(942)	(4,511)	(3,552)	-	(36,839)
Transfers	-	-	(77,454)	-	-	-	-	-	(77,454)
Ex. Diff.	-	-	(2,312)	(2,320)	(46)	(24)	(327)	-	(5,029)
As of Dec. 31, 2018	$-	$973	$663,177	$902,083	$8,669	$12,128	$283,743	$-	$1,870,773
As of Jan. 1, 2017	$-	$427	$509,156	$865,226	$7,330	$5,470	$216,439	$-	$1,604,048
Depreciation	-	260	109,818	65,890	1,360	4,591	36,145	-	218,064
Disposals	-	-	(1,285)	(71,770)	(964)	-	(3,594)	-	(77,613)
Ex. Diff.	-	-	(1,003)	(2,273)	(30)	(11)	(168)	-	(3,485)
As of Dec. 31, 2017	$-	$687	$616,686	$857,073	$7,696	$10,050	$248,822	$-	$1,741,014

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

Net carrying amount as of:									
Dec. 31, 2018	$2,067,958	$1,001	$2,470,971	$352,248	$7,854	$35,955	$133,700	$856,968	$5,926,655
Dec. 31, 2017	$3,055,915	$1,287	$2,550,578	$310,044	$5,277	$24,585	$96,097	$311,633	$6,355,416

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

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

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

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

(12) Investment property

	Land	Buildings	Total
Cost:			
As of January 1, 2018	$185,985	$-	$185,985
Transfers from owner-occupied property (Property, plant and equipment)	987,957	394,499	1,382,456
As of December 31, 2018	$1,173,942	$394,499	$1,568,441
As of Jan. 1, 2017 and Dec. 31, 2017	$185,985	$-	$185,985

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

Accumulated Depreciation:			
As of January 1, 2018	$-	$-	$-
Depreciation	-	(5,059)	(5,059)
Transfer	-	(77,454)	(77,454)
As of December 31, 2018	$-	$(82,513)	$(82,513)
As of Jan. 1, 2017 and Dec. 31, 2017	$-	$-	$-
Net carrying amount as of:			
December 31, 2018	$1,173,942	$311,986	$1,485,928
December 31, 2017	$185,985	$-	$185,985

	For the year ended December 31,	
	2018	2017
Rental income from investment property	$3,656	$-
Less:		
Direct operating expenses from investment property generating rental income	(3,228)	-
Direct operating expenses from investment property not generating rental income	(1,831)	-
Total	$(1,403)	$-

a. No investment property was pledged.

b. Investment properties held by the Group are not measured at fair value while its fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties held by the Group is NT$1,761,583 thousand and NT$247,831 thousand, as of December 31, 2018 and 2017, respectively. The fair value has been determined based on the publicly announced current land value, and building value.

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

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

(13) Intangible assets

	Computer software	Trademark	Total
Cost:			
As of January 1, 2018	$19,042	$15,049	$34,091
Addition-acquired separately	5,028	-	5,028
As of December 31, 2018	$24,070	$15,049	$39,119
As of January 1, 2017	$16,627	$15,049	$31,676
Addition-acquired separately	2,415	-	2,415
As of December 31, 2017	$19,042	$15,049	$34,091
Accumulated Amortization:			
As of January 1, 2018	$5,433	$6,216	$11,649
Amortization	3,404	3,926	7,330
Ex. Diff	(1)	-	(1)
As of December 31, 2018	$8,836	$10,142	$18,978
As of January 1, 2017	$2,751	$2,290	$5,041
Amortization	2,682	3,926	6,608
As of December 31, 2017	$5,433	$6,216	$11,649
Net carrying amount as of:			
December 31, 2018	$15,234	$4,907	$20,141
December 31, 2017	$13,609	$8,833	$22,442

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

	For the year ended December 31,	
	2018	2017
Selling and marketing expenses	$122	$-
General administrative expenses	$7,208	$6,608

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

(14) Short-term borrowings

		As of December 31,	
	Interest Rates (%)	2018	2017
Unsecured bank loans	0.98%~1.10%	$150,000	$200,000
Secured bank loans	0.98%~1.05%	650,000	100,000
		$800,000	$300,000

The Group's unused short-term lines of credits amount to NT$1,650,000 thousand and NT$1,750,000 thousand as of December 31, 2018 and 2017, respectively.

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

(15)Other Payables

	As of December 31,	
	2018	2017
Bonus to direct sellers	$927,735	$858,166
Salaries and incentive bonus	201,287	125,426
Bonus to employees	204,386	254,218
Bonus to directors and supervisors	30,645	31,867
Other accrued expenses	173,072	145,599
Payables on equipment	24,616	125,378
Accrued VAT payable	72,245	65,895
Others	52,479	11,710
Total	$1,686,465	$1,618,259

(16)Other current liabilities

	As of December 31,	
	2018	2017
Sales revenue received in advance	$-Note	$83,085
Unearned rent	5,932	5,256
Provisions for sales returns and allowances	Note	2,831
Refund liability	2,831	Note
Other current liabilities-other	40,751	59,906
Total	$49,514	$151,078

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

Note: The Group accounts in accordance with IFRS 15 since 1 January 2018.

Provisions for sales returns and allowances

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

	As of December 31, 2017
Current	$2,831
Non-current	-
Total	$2,831

Sales returns and allowances

In December 2016, the Company was affected by news events suspected of being overdue goods. In order to resolve the consumers' concern, the Company have accepted the return from consumers by the end of February 2017 and recorded the estimated loss from sales return in amount of NT$7,500 thousand in 2016. As of December 31, 2018, the actual sale return totaled to NT$4,669 thousand.

(17)Bonds payable

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

a. Domestic convertible bonds payable

	As of December 31,	
	2018	2017
Liability component:		
Principal amount	$-	$172,100
Interest Payable Refund from Bond Conversion	-	1,294

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

Premiums (discounts) on bonds payable	-	(2,187)
Subtotal	-	171,207
Less: current portion	-	(171,207)
Net	$-	$-
Embedded derivative－Redemption	$-	$69
Equity component－Convertible	$-	$7,792

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

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

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

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

(c) Secured or unsecured: Unsecured bonds.

(d) Terms of Exchange:

① Underlying Securities: Common shares of the Company

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

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

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

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

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

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

(e) Redemption clauses:

① The Company may redeem the bonds, in whole, but not in part, after a month of the issuance (September 27, 2015) and prior to the maturity date (July 17, 2018), at the principal amount of the bonds if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 30% of the conversion price.

② The Company may redeem the bonds, in whole, but not in part, at the Early Redemption Price if at least 90% in principal amount of the bonds has already been exchanged, redeemed or purchased and cancelled.

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

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

(18) Long-term loan

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

Lenders	As of December 31, 2018	Interest Rate (%)	Maturity and Terms
Secured Long-Term Loan from ChangHwa Commercial Bank	$73,176	1.44%	Effective May 27, 2015 to May 27, 2030. Principal is repaid with interest payments due monthly.
Secured Long-Term Loan from Taiwan Cooperative Bank	245,631	1.44%	Effective May 27, 2015 to May 27, 2035. Principal is repaid with interest payments due monthly.
Subtotal	318,807		
Less: current portion	(26,012)		
Total	$292,795		

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

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

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

(19)Other noncurrent liabilities

	As of December 31,	
	2018	2017
Other long-term payables	$-	$16,032
Accrued pension liabilities	2,027	3,540
Guarantee deposit received	33,811	23,382
Other noncurrent liabilities-other	47,509	54,560
Total	$83,347	$97,514

(20)Operating leases

Operating lease commitments – Group as lessor

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

	As of December 31,	
	2018	2017
Beginning balance of prepaid rent	$57,720	$63,855
Prepaid rent added in current period	-	10,832
Rent income recognized in current period	(4,772)	(16,039)
Exchange difference	(1,083)	(928)
Ending balance of prepaid rent	$51,865	$57,720

Advances received for operating leases are as follows:

	As of December 31,	
	2018	2017
Other current liabilities	$4,680	$4,777
Other non-current liabilities-other	47,185	52,943
Total	$51,865	$57,720

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

Operating lease commitments – Group as lessee

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

	As of December 31,	
	2018	2017
Within one year	$43,698	$44,551
From one year to five years	121,076	80,303
Over five years	61,401	-
Total	$226,175	$124,854

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

Operating lease expenses recognized are as follows:

	For the year ended December 31,	
	2018	2017
Minimum lease payments	$58,903	$59,559

(21) Post-employment benefits

Defined contribution plan

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

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

Expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 were NT$31,123 thousand and NT$25,370 thousand, respectively.

Defined benefit plan

Expenses under the defined benefit plan for the years ended December 31, 2018 and 2017 were NT$868 thousand and NT$832 thousand, respectively.

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

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

As of December 31, 2018, the Company plans to contribute NT$3,440 thousand to the funds under its defined benefit scheme during the following fiscal year.

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

As of December 31, 2018 and 2017, the maturities of the Company's defined benefit plan were expected in 2031 and 2030 and the detail information is listed as below.

Pension costs recognized in profit or loss were as follows:

	For the year ended December 31,	
	2018	2017
Service costs	$845	$675
Net interest of defined benefit liability (asset)	23	157
Total	$868	$832

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

	As of		
	December 31, 2018	December 31, 2017	January 1, 2017
Defined benefit obligation	$28,122	$33,401	$39,068
Plan assets at fair value	(29,825)	(29,859)	(26,546)
Other non-current liabilities – net defined benefit liability	$(1,703)	$3,542	$12,522

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
2017.1.1	$39,068	$26,546	$12,522
Current service cost	675	-	675
Interest expense(revenue)	591	434	157
Past service cost and settlement	-	-	-
Total	40,334	26,980	13,354
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	-	-	-
Actuarial gain/loss due to change in financial assumptions	1,003	-	1,003
Experience adjustments	4,086	-	4,086

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

Re-measurement on defined benefit assets	-	(178)	178
Total	5,089	(178)	5,267
Benefits paid	(12,022)	(560)	(11,462)
Contributions by employer	-	3,617	(3,617)
Effect of exchange rate	-	-	-
2017.12.31	33,401	29,859	3,542
Current service cost	587	-	587
Interest expense(revenue)	426	403	23
Past service cost and settlement	258	-	258
Total	34,672	30,262	4,410
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	(5)	-	(5)
Actuarial gain/loss due to change in financial assumptions	935	-	935
Experience adjustments	(983)	-	(983)
Re-measurement on defined benefit assets	-	763	(763)
Total	(53)	763	(816)
Benefits paid	(1,357)	-	(1,357)
Contributions by employer	-	3,182	(3,182)
Curtailment	(5,140)	(4,382)	(758)
Effect of exchange rate	-	-	-
2018.12.31	$28,122	$29,825	$(1,703)

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

	As of December 31,	
	2018	2017
Discount rate	1.00%	1.25%
Expected rate of salary increases	2.00%	2.00%

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

Sensitivity analysis:

	For the year ended December 31,			
	2018		2017	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.25%	$-	$(626)	$-	$(808)
Discount rate decrease by 0.25%	655	-	845	-
Expected salary level increased by 0.25%	647	-	836	-
Expected salary level decreased by 0.25%	-	(621)	-	(804)

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

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

(22) Equities

(a)Common stock

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

During 2017, the unsecured convertible bonds in amount of NT$1,100 thousand were converted into 6,849 shares at par value of NT$69 thousand. For the period ended December 31, 2018, the unsecured convertible bonds in amount of NT$168,800 thousand were converted into 1,065,313 shares at par value of NT$10,653 thousand.

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

(b)Capital reserve

	As of December 31,	
	2018	2017
Treasury share transactions	$4,363	$4,363
Convertible bonds-share option	-	7,792
Convertible bonds-expired share option	150	-
Additional paid-in capital	954,280	788,091
Other	6,451	-
Total	$965,244	$800,246

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

(c)Treasury stock

On January 3, 2017, the Company's board has resolved to buy back its own shares as treasury stocks for transferring to its employee. The repurchase period was from January 4, 2017 to March 3, 2017 and the share volume to be brought back were 3,000,000 shares with the unit price interval of NT$118 to NT$349.5. As of the end of the repurchase period, the number of shares repurchased were 508,000 shares and the average repurchase unit price NT$179.26. The carrying value of treasury stock as of December 31, 2018 was NT$91,062 thousand.

(d)Retained earnings and dividend policy

A. Retained earnings

According to the company articles, both the Company and Pro-partner Inc. shall distribute their annual earnings, if any, in the sequence listed below.

a. Payment of all taxes and dues;
b. Making up loss for preceding years, if any;

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

B. Dividend policy

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

C. Legal reserve

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

D. Special reserve

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

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

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

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

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

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

F. Information regarding Pro-Partner's 2018 earnings distribution and dividends per share has been proposed in its Board of Directors meeting held on February 14, 2019 and 2017's were approved in its annual shareholders' meeting held on April 19, 2018. Related information were summaried as follows.

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

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

G. Non-controlling interests

	For the year ended December 31,	
	2018	2017
Beginning balance	$1,132,726	$974,937
Profit attributable to non-controlling interests：		
Net income	594,678	582,791
Cash dividends to non-controlling interests	(524,391)	(424,881)
Actuarial gains and losses on defined benefit	(38)	(121)
Ending balance	$1,202,975	$1,132,726

(23) Operating revenue

	For the year ended December 31,	
	2018(Note)	2017
Sale of goods	$ 7,794,840	$8,444,320
Revenue arising from rendering of services	1,388,481	943,808
Total	$ 9,183,321	$9,388,128

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

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

(1) Disaggregation of revenue

For the year ended December 31, 2018

	MLM	Distribution	OEM	Total
Sale of goods	$7,388,521	$308,413	$97,906	$7,794,840
Revenue arising from rendering of services	-	-	1,388,481	1,388,481
Total	$7,388,521	$308,413	$1,486,387	$9,183,321
Revenue recognition point:				
At a point in time	$7,388,521	$308,413	$1,486,387	$9,183,321

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

(2) Contract balances

A. Contract liabilities – current

	Beginning balance	Ending balance	Difference
Sales of goods	$1,293	$48,238	$46,945
Revenue arising from rendering of services	81,792	58,079	(23,713)
Total	$83,085	$ 106,317	$23,232

The difference between the balance of the Group's contractual liabilities on December 31, 2018 and the beginning balance was due to the partial consideration received from customers and to be recognized as income upon the related performance obligations being satisfied subsequently.

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

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

	For the year ended December 31,					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries & wages	$215,391	$737,054	$952,445	$200,441	$690,063	$890,504
Labor and health insurance	19,230	29,977	49,207	15,959	28,736	44,695
Pension	18,054	13,937	31,991	14,121	12,081	26,202
Other employee benefits	9,043	10,062	19,105	7,760	18,311	26,071
Depreciation	143,201	110,939	254,140	132,969	85,095	218,064
Amortization	-	7,330	7,330	-	6,608	6,608

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

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

Based on profit of the year ended December 31, 2018, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 to be 8% of profit of the current year and 2% of profit of the current year, respectively, recognized as employee benefits expense and remuneration to directors and supervisors. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 amount to NT$122,578 thousand and NT$30,645 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017 amount to NT$127,470 thousand and NT$31,867 thousand, respectively. If the Board of Directors resolves to distribute employee compensation through stock, the number of stock distributed is calculated based on total employee compensation dividend by the closing price of the day before the Board of Directors meeting.

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

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

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

Pro-partner Inc.'s distributions of employee compensation and remuneration to directors for 2018 amounting NT$81,668 thousand and NT$102,110 thousand approved by the Board of Directors were consistent with the amounts recognized.

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

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

(25) Non-operating incomes and expenses

(a) Other incomes

	For the year ended December 31,	
	2018	2017
Interest income from bank deposits	$-Note	$4,632
Financial assets measured at amortized cost	7,204	Note
Rental revenue	21,397	18,513
Compensation revenue	-	93,497
Other Income	122,769	61,291
Total	$151,370	$177,933

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

(b) Other gains and losses

	For the year ended December 31,	
	2018	2017
Loss from disposal of property, plant and equipment	$(3,214)	$(7,138)
Foreign exchange loss, net	3,130	(2,535)
Gain from financial assets at fair value through P/L(Note)	489	723
Others	(60,835)	(229)
Total	$(60,430)	$(9,179)

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

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

(c) Finance costs

	For the year ended December 31, 2018	For the year ended December 31, 2017
Imputed interest on deposit	$256	$224
Interest on borrowings from bank	12,533	14,035
Interest on corporate bond	1,324	3,320
Total	$14,113	$17,579

(26) Components of other comprehensive income

For the year ended December 31, 2018

	Arising during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
Not reclassified to profit or loss:			
Measure on defined benefit plans	$816	$(160)	$656
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(7,495)	-	(7,495)
To be reclassified to profit or loss in subsequent period:			
Exchange differences resulting from translating the financial statements of foreign operations	(16,355)	-	(16,355)
Total	$(23,034)	$(160)	$(23,194)

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

For the year ended December 31, 2017

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

(27) Income tax

Income tax rate applicable to the Company would be changed to 20% from 17% starting the year of 2018 in accordance with an amendment to Taiwan Income Tax Act resolved in the third-reading by Legislative Yuan on January 18, 2018. Income tax on unappropriated earnings would be changed to 5% from 10%

The major components of 2018 and 2017 income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,	
	2018	2017
Current income tax expense (benefit):		
Current income tax charge	$509,188	$419,860
Income tax on unappropriated earnings	31,355	57,052
Adjustments in respect of current income tax of prior periods	(1,676)	(22,920)
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) related to origination and reversal of temporary difference	(2,117)	16,746

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

The effect of tax rate change	(140)	-
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(18)	-
Total income tax expense	$536,592	$470,738

Income tax relating to components of other comprehensive income

	For the year ended December 31,	
	2018	2017
Deferred tax expense (benefit):		
Exchange differences on translation of foreign operations	$-	$-
Premeasurement of defined benefit plans	160	(926)
Income tax relating to components of other comprehensive income	$160	$(926)

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

	For the year ended December 31,	
	2018	2017
Accounting profit (loss) before tax from continuing operations	$2,426,664	$2,405,470
Tax payable at the enacted tax rates	$721,456	$611,138
10 % surtax on undistributed retained earnings	31,355	57,052
Others	(220,601)	(171,449)
Adjustments in respect of current income tax of prior periods	(1,676)	(22,920)
Tax effect of deferred tax assets/liabilities	(1,069)	(20,885)
Reversal of uncertain tax position upon finalization	7,333	-
The effect of tax rate change	(140)	-
Adjustment in respect of deffered tax of prior periods	(66)	17,802
Total income tax expense (income) recognized in profit or loss	$536,592	$470,738

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2018

	Beginning balance as of Jan. 1, 2018	Deferred tax income (expense) recognized in P/L	Deferred tax income (expense) recognized in OCI	Ending balance as of Dec. 31, 2018
Temporary differences				
Unrealized revaluation	$(68,463)	$-	$-	$(68,463)
Employee benefit payable	233	51	-	284
Allowance for uncollectible accounts	551	15	-	566
Employee benefit	-	524	-	524
Unrealized of Inventory scrap	-	10	-	10
Defined benefit liability(asset)-Subsidiary	471	(96)	24	399
Defined benefit liability (asset)-The company	19	-	(184)	(165)
Unrealized intragroup profits and losses	4,478	1,771	-	6,249
Deferred tax income/ (expense)		$2,275	$(160)	
Net deferred tax assets/(liabilities)	$(62,711)			$(60,596)
Reflected in balance sheet as follows:				
Deferred tax assets	$5,752			$8,032
Deferred tax liabilities	$(68,463)			$(68,628)

For the year ended December 31, 2017

	Beginning balance as of Jan. 1, 2017	Deferred tax income (expense) recognized in P/L	Deferred tax income (expense) recognized in OCI	Ending balance as of Dec. 31, 2017
Temporary differences				
Unrealized revaluation	$(68,463)	$-	$-	$(68,463)
Employee benefit payable	241	(8)	-	233
Allowance for uncollectible accounts	485	66	-	551

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

Compensation revenue	16,527	(16,527)	-	-
Unrealized of Inventory scrap	42	(42)	-	-
Provisions for sales returns and allowances	1,275	(1,275)	-	-
Defined benefit liability(asset)-Subsidiary	366	6	99	471
Defined benefit liability(asset)-The company	(808)	-	827	19
Unrealized intragroup profits and losses	3,444	1,034	-	4,478
Deferred tax income/ (expense)		$(16,746)	$926	
Net deferred tax assets/(liabilities)	$(46,891)			$(62,711)
Reflected in balance sheet as follows:				
Deferred tax assets	$22,381			$5,752
Deferred tax liabilities	$(69,272)			$(68,463)

Unrecognized deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT$7,995 thousand and NT$29,775 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group’s overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at 31 December 2018 and 2017, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregate to NT$6,824 thousand and NT$0 thousand, respectively.

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Tax assessment

As of December 31, 2018, the assessment from tax authority for the Company and Subsidiaries are as follows.

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

(28) Earnings per share

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

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

	For the year ended December 31,	
	2018	2017
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$1,295,394	$1,351,941
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	135,363	134,743
Basic earnings per share (in NT$)	$9.57	$10.03

	For the year ended December 31,	
	2018	2017
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$1,295,394	$1,351,941
Interest expense from convertible bonds (in thousand NT$)	1,286	3,271
Gain or loss on valuation of redemption	63	18
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$1,296,743	$1,355,230
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	135,363	134,743
Effect of dilution:		
Employee bonus－stock (in thousand shares)	735	752
Convertible bonds (in thousands shares)	432	1,044
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	136,530	136,539
Diluted earnings per share (in NT$)	$9.50	$9.93

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

(29) Subsidiary that has material non-controlling interests

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

Proportion of equity interest held by non-controlling interests:

		As of December 31,	
Name	Country of Incorporation and operation	2018	2017
Pro-partner	Republic of China	40%	40%

	As of December 31,	
Accumulated balances of material non-controlling interest:	2018	2017
Pro-partner	$1,202,975	$1,132,726

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	For the year ended December 31,	
Profit/(loss) allocated to material non-controlling interest:	2018	2017
Pro-partner	$594,678	$582,791

	For the year ended December 31,	
Dividends paid to material non-controlling interest:	2018	2017
Pro-partner	$524,391	$424,881

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

Summarized information of profit or loss for the years ended December 31, 2018 and 2017 is as follows:

	For the year ended December 31,	
	2018	2017
Operating revenue	$7,388,521	$8,050,198
Profit/loss from continuing operation	$1,486,696	$1,456,977
Total comprehensive income for the period	$1,486,601	$1,456,676

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

	As of December 31,	
	2018	2017
Current assets	$1,361,132	$1,404,149
Non-current assets	3,740,441	3,567,526
Current liabilities	(1,784,232)	(1,617,545)
Non-current liabilities	(309,903)	(522,315)

Summarized cash flow information for the years ended December 31, 2018 and 2017 is as follows:

	For the year ended December 31,	
	2018	2017
Operating activities	$1,807,183	$1,483,572
Investing activities	(244,296)	(37,847)

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Financing activities	(1,540,623)	(1,480,560)
Net increase/(decrease) in cash and cash equivalents	$22,264	($34,835)

7. Related party transactions

(1) Name of related party and the relation

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

NOTE: Please refer to Note 9(6).

(2) Significant transactions with related parties

a. Sales

	For the year ended December 31,	
	2018	2017
Laifu	$-	$(338)
Pu Hsing	1,327	1,343
Gongju	65	-
Total	$1,392	$1,005

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

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b. Other payables to related parties

	As of December 31,	
	2018	2017
Pu Hsing	$17,050	$16,402
Integrate Chinese Medicine Holdings Ltd.	-	16,371
Gongju	18,572	-
Total	$35,622	$32,773

c. Refundable deposits

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

d. Guarantee deposit received

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

e. Temporary Receipts (Current liabilities)

	As of December 31,	
	2018	2017
Mei-Jing Tseng (Note)	$-	$17,607

Note: Please refer to Note 9(6).

f. Advance receipts (Current liabilities)

	As of December 31,	
	2018	2017
Pro-partner Foundation	$4	$-

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g. Sales and marketing expenses – commission

	For the year ended December 31,	
	2018	2017
Pu Hsing	$387	$386
Gongju	3,909	-
Total	$4,296	$386

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

h. General and administrative expenses – rental

	For the year ended December 31,	
	2018	2017
Pu-Lin	$4,201	$4,198
Chi-Sheng Chang	480	1,440
Chang-Yeh Tseng	480	1,440
Total	$5,161	$7,078

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

i. General and administrative – donations

	For the year ended December 31,	
	2018	2017
Pro-partner Foundation	$600	$500

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j. Revenue from rental assets

	For the year ended December 31,	
	2018	2017
Pu Hsing	$11	$12
Pro-partner Foundation	11	11
Gongju	14	-
Total	$36	$23

The rental from the above related parties and normal rental prices were similar and comparable. The term of collection was either in a monthly installment or in full at the beginning of each year.

k. Other income

	For the year ended December 31,	
	2018	2017
Gongju	$4	$-
Mei-Jing Tseng(Note)	17,607	-
Total	$17,611	$-

Note: Please refer to Note9(6).

l. Key management personnel compensation

	For the year ended December 31,	
	2018	2017
Short-term employee benefits	$228,880	$217,041
Post-employment benefits	325	260
Total	$ 229,205	$217,301

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8. Assets pledged as collaterals

The following assets are pledged as collaterals.

Assets pledged	As of December 31, 2018	As of December 31, 2017	Purpose of pledge
Property, plant and equipment-land	$2,095,341	$1,921,301	For long-term and short-term secured loans.
Property, plant and equipment-building	1,093,113	1,032,702	For long-term and short-term secured loans.
Debt investments without active market-pledged time deposits	Note	4,460	For leasing land and operating center from Science-based Park.
Financial assets measured at amortized cost-pledged time deposits	11,460	Note	For Chinese Petroleum Corporation natural gas, leasing land and operating center at Science-based Park.
Total	$3,199,914	$2,958,463	

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

9. Commitments and contingencies

(1) The Company's guarantee notes issued to banks for credit lines amounted to NT$350,000 thousand.

(2) Amount available under letters of credit as of December 31, 2018 are NT$11,053 thousand.

(3) A Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of December 31, 2018 were as follows.

Nature of Contract	Contract Amount	Amount Paid	Outstanding Balance
Plant and Machinery	$1,055,000	$590,905	$464,095

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(4) For operational needs, Pro-partner has to establish operational bases in Taoyuan, Hsinchu, Fengyuan, Taichung, Kaohsiung, Pingzhen, Jhongli, Hualien and Tainan.The information concerning the operating leases sustained as of December 31, 2018 is listed below.

Operation Sites	Lessor	The lease term	Monthly rental
Taoyuan City	Taoyuan Irrigation Association	2016.11.9~2019.11.8	180
Hsinchu City	Lin, Zhuang-Long, Wu,Yi-Wan	2016.11.1~2021.10.31	320
Fengyuan Dist.	Lin, Fen-Ling	2017.6.1~2020.5.31	70
Taichung City	Pu-Lin Ltd. (NOTE)	2007.11.1~2027.11.1	220
Taichung City	Pu-Lin Ltd. (NOTE)	2010.4.1~2030.3.31	129
Kaohsiung City	The Company	2018.1.1~2020.12.31	236
Pingzhen Dist.	The Company	2018.4.1~2019.3.31	48
Chungli Dist.	The Company	2017.4.1~2022.3.31	1
HuaLian City	Liou, Chuen-Hou, Liou, Chuen-Lung	2017.9.1~2019.8.31	130
Tainan City	Cathay Life Insurance Company, Ltd.	2016.3.21~2021.7.31	823

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

(5) Pro-partner Inc. has purchased the software rights of the cloud version of the direct marketing information management system from WELLAN SYSTEM CO., LTD., in August 2016. The total contract price is in amount of NT$19,780 thousand to be paid in 24 installments during 2 years. As of December 31, 2018, the software system mentioned above has been partially delivered and utilized while, the rest remains in testing status or installation.

(6) Pro-partner Inc. has entered into certain agreements for computer software and hardware leasing and maintenance contracts on February 1, 2008. Pro-partner Inc. also has entered into additional software leasing and maintenance contracts for logistics management on January 1, 2013 with "FINE EAGLE INVESTMENTS LIMITED" for the services provided by WELLAN SYSTEM CO., LTD. Due to an on-going investigation, Pro-partner Inc.'s

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general manager paid the related commission in amount of $17,607 thousand to Pro-partner on behalf of "FINE EAGLE INVESTMENTS LIMITED". Upon receiving the payment, Pro-partner recorded it under the caption of temporary receipts due to uncertainty of Investigation Bureau determination yet. Pro-partner Inc. has transferred the temporary receipts to other income when Taipei District Prosecutors Office filed a public prosecution to the Taipei District Court of Taiwan on December 20, 2018. (Indictment Document Number 2017 Detective No.2928 and No.12036).

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Financial instruments

(1) Categories of financial instruments

Financial assets	As of December 31,	
	2018	2017
Financial asset at fair value through P/L:		
Held for trading	Note1	$70,307
Designated financial asset at fair value through P/L	-	69
Subtotal	-	70,376
Financial assets at fair value through OCI	10,892	Note1
Available-for-sale financial assets (Note 2)	Note1	28,028
Financial assets measured at amortized cost (Note 3)	2,274,961	Note1
Loans and receivables (Note 4)	Note1	2,271,512
Total	$2,285,853	$2,369,916

Financial liabilities	As of December 31,	
	2018	2017
Financial liabilities at amortized cost:		
Short-term loans	$800,000	$300,000
Notes payable	1,756	7,207

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Accounts payable	260,479	316,108
Other payables	1,686,465	1,618,259
Other payables – related parties	35,622	32,773
Bonds payable (current portion included)	-	171,207
Long-term loans(current portion included)	318,807	550,644
Other long-term payables	-	16,032
Total	$3,103,129	$3,012,230

Note:

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

2) Balances as at 31 December 2017 including financial assets measured at cost.

3) Including cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivables and other receivables.

4) Including cash and cash equivalents, notes receivable, accounts receivables, bond investments with no active market and other receivables.

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

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

When NTD strengthens/weakens against foreign currency USD by 10%, the profit before tax for the years ended December 31, 2018 and 2017 is decreased/increased by NT$9,529 thousand and NT$9,227 thousand, respectively.

Interest rate risk

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments with variable interest rates. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit before tax for the years ended December 31, 2018 and 2017 to increase/decrease by NT$977 thousand and NT$1,251 thousand, respectively.

Equity price risk

The fair value of the Group's unlisted equity securities and monetary fund are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities, including fair value through other comprehensive income (2017: held for trading.)

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

At the reporting date, a change of 5% in the net asset value of the monetary fund held for trading could increase/decrease the Group's profit before tax for the years ended December 31, 2018 and 2017 to increase/decrease by NT$0 thousand and NT$3,519 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that the counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

There is no concentration of credit risk of a single customer for the years ended 2018 and 2017. Therefore, the credit risk is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

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

(5) Liquidity risk management

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

Non-derivative financial instruments

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
As of December 31, 2018						
Short-term loans	$800,379	$-	$-	$-	$-	$800,379
Notes payable	1,756	-	-	-	-	1,756
Accounts payable	260,479	-	-	-	-	260,479
Other payables (related parties included)	1,520,066	202,021	-	-	-	1,722,087
Bonds payable (current portion included)	15,320	15,528	31,055	93,167	195,252	350,322
As of December 31, 2017						
Short-term loans	$300,193	$-	$-	$-	$-	$300,193
Notes payable	6,513	694	-	-	-	7,207
Accounts payable	316,108	-	-	-	-	316,108
Other payables(related parties included)	1,444,845	206,187	-	-	-	1,651,032
Bonds payable(current portion included)	-	173,394	-	-	-	173,394
Long-term loans (current portion included)	20,093	20,413	40,825	122,476	423,877	627,684
Long-term payables	-	-	-	-	16,032	16,032

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities as at 31 December 2018:

	Short-term borrowings	Long-term borrowings	Guarantee deposit received	Repayment of bonds payable	Total liabilities from financing activities
As at 1 January, 2018	$300,000	$550,644	$23,382	$171,207	$1,045,233
Cash flows	500,000	(231,837)	10,429	(3,325)	275,267
Non-cash changes					
Bonds conversion	-	-	-	(167,882)	(167,882)
As at 31 December, 2018	$800,000	$318,807	$33,811	$-	$1,152,618

Reconciliation of liabilities as at 31 December 2017: Not applicable

(7) Fair values of financial instruments

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

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

a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

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

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

	Carrying value		Fair value	
Financial liabilities:	December 31,2018	December 31,2017	December 31,2018	December 31,2017
Bonds payable(Current portion)	$-	$171,207	$-	$171,876

(c) Fair value measurement hierarchy for financial instruments

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

(8) Derivative financial instruments

The Group's derivative financial instruments include embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2018 and 2017 is as follows:

Embedded derivatives

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

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

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

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

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

As of December 31, 2018

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

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Monetary fund	$70,307	$-	$-	$70,307
Embedded Derivative	-	-	69	69
Total	$70,307	$-	$69	$70,376

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

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

	Assets		
	At fair value through P/L	At fair value through OCI	
	Derivatives	Stock	Total
Beginning balances as of January 1, 2018	$69	$28,028	$28,097
Retroactively recognized in other rights at the beginning of the period	-	(9,641)	(9,641)

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

Bonds conversion	(6)	-	(6)
Total gains and losses recognized for the year ended December 31, 2018:			
Amount recognized in profit or loss (presented in “other profit or loss”)	(63)	-	(63)
Amount recognized in OCI(presented in “Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income”)	-	(7,495)	(7,495)
Ending balances as of December 31, 2018	$-	$10,892	$10,892

	Assets		
	At fair value through PL	At fair value through OCI	
	Derivatives	Stocks	Total
Beginning balances as of January 1, 2017	$87	$-	$87
Total gains and losses recognized for the year ended December 31, 2017:			
Amount recognized in profit or loss (presented in “other profit or loss”)	(18)	-	(18)
Ending balances as of December 31, 2017	$69	$-	$69

Total gains and losses recognized in profit or loss for the years ended December 31, 2018 and 2017 in the table above contain gains and losses related to assets on hand as of December 31, 2018 and 2017 in the amount of NT$(63) thousand and NT$(18) thousand.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2018

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

As of December 31, 2017

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

(d) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(12))	$-	$-	$1,761,583	$1,761,583
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (please refer to Note 6(17))	$-	$-	$-	$-

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(12))	$-	$-	$247,831	$247,831
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (please refer to Note 6(17))	$-	$-	$171,876	$171,876

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below: (In Thousands)

	As of December 31, 2018			As of December 31, 2017		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						
USD	$3,821	30.59	$116,898	$4,319	29.84	$128,880
Financial liabilities						
Monetary items:						
USD	$704	30.69	$21,609	$1,227	29.83	$36,610

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

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

The Company's functional currency is variety. It can not be disclosured the foreign exchange gains or losses on monetary financial assets and financial liabilities for each currency with significant influence. The Foreign exchange gains or losses of the Company amounted to NT$3,130 thousand and NT$(2,535) thousand respectively on December 31, 2018 and 2017.

(11) Capital management

The objective of Company's capital management is maintaining a good capital structure and to ensure the ability to operate continuously, in order to provide returns to stockholders and the interests of other related parties, while maintaining the primal capital structure to reduce costs of capital. The Company's capital structure management strategies were based on the industry size of the Company and its subsidiaries, industry's future growth, product roadmaps, and changes in the external environment and other factors. The Company plans the required capacity and the necessary plant and equipment to achieve this capacity and the corresponding capital expenditure according to those strategies. Then the Company calculates the required working capital and cash, based on industry characteristics, and estimate the possible product margins, operating margin and cash flow. In order to determine the most appropriate of the Company's capital structure, taking into consideration cyclical fluctuations in industrial, product life cycle and other risk factors.

As of December 31, 2018 and 2017, the debt ratios of the Group are listed below:

	As at December 31,	
	2018	2017
Total liabilities	$3,714,779	$3,563,684
Total capital	$10,648,049	$9,891,656
Debt ratio	34.89%	36.03%

13. Other disclosure

(1) Information at significant transactions

a. Financing provided to others for the year ended December 31, 2018: None.

b. Endorsement/Guarantee provided to others for the year ended December 31, 2018: Please refer to attachment 1.

c. Securities held as of December 31, 2018 (excluding subsidiaries, associates and joint venture): Please refer to attachment 2.

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.

f. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2018: Please refer to attachment 3.

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2018: Please refer to attachment 5.

i. Financial instruments and derivative transactions: None.

j. Intercompany relationships and significant intercompany transaction: Please refer to attachment 6.

(2) Information on investees

A. Names, locations and related information of investees as of December 31, 2018 (excluding the investment in Mainland China): Please refer to attachment 4.

B. Information at significant transactions

a. Financing provided to others for the year ended December 31, 2018: None

b. Endorsement/Guarantee provided to others for the year ended December 31, 2018: None.

c. Securities held as of December 31, 2018 (excluding subsidiaries, associates and joint venture): None

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.

f. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2018: Please refer to attachment 3.

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2018: None.

i. Financial instruments and derivative transactions: None.

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Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(3) Information on investments in mainland China：

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

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated Investment Outflows from Taiwan as of January 1, 2018	Investment Flows		Accumulated Investment Outflows from Taiwan as of December 31, 2018	Net Income (Loss) of Investee Company	Percentage of Direct or Indirect Ownership	Investment Profit(Loss) Recognized (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Shanghai Grape King Enterprise Co., Ltd.	Manufacturing and selling capsule, tablet, related products and services.	US$ 27,900 thousand	(Note1(2)) (Note 3)	$847,672 (USD 27,350 thousand)	$-	$-	$847,672 (USD 27,350 thousand)	$198,012 (Note2 (2)B)	100%	$198,484 (Note 2(2)B)	$763,491	$-
Shanghai Yusong Co., Ltd.	Stock management and related services of the thermostatic fresh freezing warehouse.	US$4,890 thousand	(Note 1(2)) (Note 4)	$26,794 (USD 878 thousand)	$-	$-	$26,794 (USD 878 thousand)	$- (Note 2(3))	18.77%	$- (Note 2(3))	$10,852 (Note 2(3))	$-

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Grape King Bio Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Shanghai Rivershine Ltd.	Food distribution (except grain), food packaging materials, cosmetics wholesale, import and export, commission agents (except auction), related products and services.	US$150 thousand	(Note 1(2)) (Note 5)	$4,060 (USD 150 thousand)	$-	$-	$4,060 (USD 150 thousand)	$294 (Note 2 (2)B)	100%	$294 (Note 2 (2)B)	$4,615	$-
Dongpu Biotech Corporation	Biotechnology R&D and transfer; Sales: biological products, special foods (health foods), food materials, food packaging materials, cosmetics, daily necessities; commission agents (excluding auctions); import and export of goods.	RMB5,000 thousand	(Note 1(1)) (Note 6)	$-	$23,200 (RMB 5,000 thousand)	$-	$23,200 (RMB5,000 thousand)	$7,610 (Note 2 (2)B)	100%	$7,591 (Note 2 (2)B)	$30,138	$-

Accumulated investment in Mainland China as at December 31, 2018	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
$901,726	$901,726	$4,159,962

Note 1: The methods for engaging in investment in Mainland China include the following:

(1) Direct investment in Mainland China.

(2) Indirectly investment in Mainland China through companies registered in a third region. (Please specify the name of the company in third region).

(3) Other methods.

Note 2: The investment income (loss) recognized in current period:

(1)Please specify no investment income (loss) has been recognized due to the investment is still during development stage.

(2)The investment income (loss) were determined based on the following basis:

A.The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.

B.The financial statements certified by the CPA of the parent company in Taiwan.

C.Others.

(3)Recorded as financial assets at fair value through other comprehensive income.

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

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

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

Note 6: The Company directly invested in Dongpu Biotech Corporation.

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

14. Segment information

The Group determined its operating segments based on business activities with discrete financial information regularly reported through the Company's internal reporting protocols to the Company's chief operating decision maker. The Company is organized into business units based on its marking channels and services. As of December 31, 2018 and 2017, the Company had the following segments: MLM (Multi-level marketing), Distributors, and OEM (Original Equipment Manufacturer).

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

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

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

(1) Income (loss), for reportable segment:

For the year ended December 31, 2018

	MLM	Distribution	OEM	Subtotal	Adjustment/ elimination	Consolidated
Revenue						
External customer	$7,388,521	$308,413	$1,486,387	$9,183,321	$-	$9,183,321
Inter-segment	1,432,942	121,656	22,933	1,577,531	(1,577,531)	-
Total revenue	$8,821,463	$430,069	$1,509,320	$10,760,852	$(1,577,531)	$9,183,321
Interest expenses	$13,555	$478	$80	$14,113	$-	$14,113
Depreciation and amortization	$233,692	$6,977	$20,535	$261,204	$266	$261,470
Segment profit	$2,086,343	$23,568	$316,753	$2,426,664	$-	$2,426,664

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

Capital expenditure on non-current assets	$956,820	$28,890	$142,936	$1,128,646	$-	$1,128,646
Segment assets	$11,902,438	$454,448	$1,286,892	$13,643,778	$(2,995,729)	$10,648,049
Segment liabilities	$3,463,407	$159,517	$395,579	$4,018,503	$(303,724)	$3,714,779

For the year ended December 31, 2017

	MLM	Distribution	OEM	Subtotal	Adjustment/ elimination	Consolidated
Revenue						
External customer	$8,050,198	$297,460	$1,040,470	$9,388,128	$-	$9,388,128
Inter-segment	1,417,487	117,758	12,199	1,547,444	(1,547,444)	-
Total revenue	$9,467,685	$415,218	$1,052,669	$10,935,572	$(1,547,444)	$9,388,128
Interest expenses	$17,137	$369	$73	$17,579	$-	$17,579
Depreciation and amortization	$202,842	$5,828	$15,736	$224,406	$266	$224,672
Segment profit	$2,225,961	$7,048	$172,461	$2,405,470	$-	$2,405,470
Capital expenditure on non-current assets	$698,747	$24,414	$53,612	$776,773	$-	$776,773
Segment assets	$11,013,007	$327,559	$1,159,485	$12,500,051	$(2,608,395)	$9,891,656
Segment liabilities	$3,243,232	$116,688	$449,805	$3,809,725	$(246,041)	$3,563,684

Note:

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

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

(2) Information on reconciliations of revenue, profit or loss, assets, liabilities and other material items of reportable segments:

(a) Revenue

	For the year ended December 31,	
	2018	2017
Total revenue from reportable segments	$10,760,852	$10,935,572
Other revenue	-	-
Elimination of inter-segment revenue	(1,577,531)	(1,547,444)
Total revenue	$9,183,321	$9,388,128

(b) Profit or loss

	For the year ended December 31,	
	2018	2017
Total profit or loss for reportable segments	$2,426,664	$2,405,470
Other profit	-	-
Adjustment to post-employment benefits expense in consolidation	-	-
Profit (loss) before tax from continuing operations	$2,426,664	$2,405,470

(c) Assets

	As of December 31,	
	2018	2017
Total assets of reportable segments	$13,643,778	$12,500,051
Other Assets	-	-
Adjustment and Elimination	(2,995,729)	(2,608,395)
Segment assets	$10,648,049	$9,891,656

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

(d) Liabilities

	As of December 31, 2018	As of December 31, 2017
Total liabilities of reportable segments	$4,018,503	$3,809,725
Other liabilities	-	-
Adjustment and Elimination	(303,724)	(246,041)
Segment liabilities	$3,714,779	$3,563,684

(e) Other material items

For the year ended December 31, 2018

	Reportable segments	Adjustments	Consolidated
Interest expenses	$14,113	$-	$14,113
Capital expenditure on non-current assets	1,128,646	-	1,128,646
Depreciation and amortization	261,204	266	261,470

For the year ended December 31, 2017

	Reportable segments	Adjustments	Consolidated
Interest expenses	$17,579	$-	$17,579
Capital expenditure on non-current assets	776,773	-	776,773
Depreciation and amortization	224,406	266	224,672

(3) Information about product and service

	For the year ended December 31, 2018	For the year ended December 31, 2017
Health food	$7,373,356	$8,031,180
Drink	220,367	239,809
OEM and ODM	1,403,184	927,279
Other	186,414	189,860
Total	$9,183,321	$9,388,128

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

(4) Geographical information

Revenue from external customers

	For the year ended December 31,	
	2018	2017
Taiwan	$7,781,348	$8,467,376
China	1,391,703	918,471
Other countries	10,270	2,281
Total	$9,183,321	$9,388,128

The revenue information above is based on the location of the customer.

Non-current assets:

	As of December 31,	
	2018	2017
Taiwan	$7,250,105	$6,597,345
China	470,847	366,050
Total	$7,720,952	$6,963,395

(5) Information about major customers

There were no individual customers whose sales were accounted for at least 10% of net sale for the year ended December 31, 2018.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Endorsement/Guarantee Provided to Others

For the year ended December 31, 2018

ATTACHMENT 1

(Amounts Expressed in Thousands of New Taiwan Dollars)

Endorsements or guarantees provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party(Note3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed(Note3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note1)	Name	Company Name	Relationship (Note2)										
0	Grape King Bio Ltd.	Shanghai Grape King Enterprise Co., Ltd.	2	$2,389,954	$93,930	$-	$-	$-	-%	$2,549,284	Y	N	Y

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

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

1.The company with business contacts.

2.The company directly and indirectly holds more than 50% of the shares with voting rights.

3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.

4.The company directly and indirectly holds more than 90% of the shares with voting rights.

5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.

6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.

7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

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

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Securities held as of December 31, 2018 (excluding investments in subsidiaries, associates and joint venture)

ATTACHMENT2

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

Company Held Name	Marketable Securities Type and Name		Relationship with the Company	Financial Statement Account	As of December 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Grape King Bio Ltd.	Stock	FU-Sheng International Inc. (SAMOA)	-	Financial assets at fair value through other comprehensive income, noncurrent	917,700	$28,008	18.77%	10,852	
		Hsin Tung Yang Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,000	20	-	40	
		Total		Financial assets at fair value through other comprehensive income,valuation adjustments		(17,136)		-	
						$10,892		$10,892	

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2018

ATTACHMENT3

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

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction(Note1)		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	Percentage of total Purchases (Sale)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of total receivables (payable)	
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	Sales	$1,432,941	78.65%	Net 30 days after monthly closing	By contract	-	$165,772	62.36%	2
Grape King Bio Ltd.	Rivershine Ltd.	Subsidiary	Sales	$121,612	6.68%	Net 120 days after monthly closing	By contract	-	$59,931	22.54%	2
Pro-partner Inc.	Grape King Bio Ltd	Parent Company	Purchases	$1,432,941	100.00%	Net 30 days after monthly closing	By contract	-	$(165,772)	102.34%	2
Rivershine Ltd.	Grape King Bio Ltd	Parent Company	Purchases	$121,612	100.00%	Net 120 days after monthly closing	By contract	-	$(59,931)	100.00%	2

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

Note 2: The transactions have been eliminated in the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Names, locations and related information of investees as of December 31, 2018 (excluding the investment in Mainland China)

ATTACHMENT 4

(Amounts in Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Business	Original Investment Amount		Balance as of December 31,2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee(Note2)	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Book Value (Note2)			
Grape King Bio Ltd.	GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI)	BVI	Investment activities	$1,198,018	$1,198,018	24,890,000	100.00%	$815,416	$199,996	$200,468 (Note1)	Subsidiary
	Pro-partner Inc.	Taoyuan City, Taiwan	Import and selling of health food, drink, cosmetics, sports apparatus, cleaning the articles, etc.	15,000	15,000	10,560,000	60.00%	1,784,621	1,486,601	893,337 (Note1)	Subsidiary
	Rivershine Ltd.	Taoyuan City, Taiwan	Import and selling of health food, drink, daily commodies, appliances, etc.	30,000	30,000	3,000,000	100.00%	38,237	9,827	9,827	Subsidiary
			Total					$2,638,274		$1,103,632	

Note 1: The effect from the unrealized profit of the downstream transactions on income tax, which is NT$1,791 thousand has been adjusted.

Note 2: The book value at the end of the period and the current investment gain (loss) recognized have been eliminated in the consolidated financial statement.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2018

ATTACHMENT 5

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

Company Name	Related Party	Nature of Relationships	Ending Balance(Note)		Turnover Rate	Overdue		Amounts Received in Subsequent Period	Recognized as Allowance for Bad Debts
						Amount	Action Taken		
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	Accounts Receivable -Related Parties	$165,772	9.75	$-	-	$165,772	$-

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Grape King Bio Ltd. and Subsidiaries

Intercompany relationships and significant intercompany transaction for the year ended December 31, 2018

ATTACHMENT 6

(Amounts expressed in Thousands of New Taiwan Dollars)

No. (Note1)	Company Name	Counterparty	Nature of Relations (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Revenue or Total Assets (Note3)
0	Grape King Bio Ltd.	Pro-partner Inc.	(1)	Sales	$1,432,941	The price by contract	15.60%
0	Grape King Bio Ltd.	Pro-partner Inc.	(1)	Accounts Receivable	$165,772	The price by contract	1.56%
0	Grape King Bio Ltd.	Rivershine Ltd.	(1)	Sales	$121,612	The price by contract	1.32%
0	Grape King Bio Ltd.	Rivershine Ltd.	(1)	Accounts Receivable	$59,931	The price by contract	0.56%

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

Note 2: There are three types of relations between the parent company and the subsidiaries. Only categories should be identified.(There is no need to declare the same interaction between the parent company and the subsidiary, or the same transaction among subsidiaries repeatedly. For example,if the parent company has declared the transaction from parent company to subsidiary, the subsidiary need not repeatedly declare the same transaction. If the transaction is between subsidiaries, when one subsidiary has declared the transaction, the other subsidiary doesn't need to declare the same transaction.)

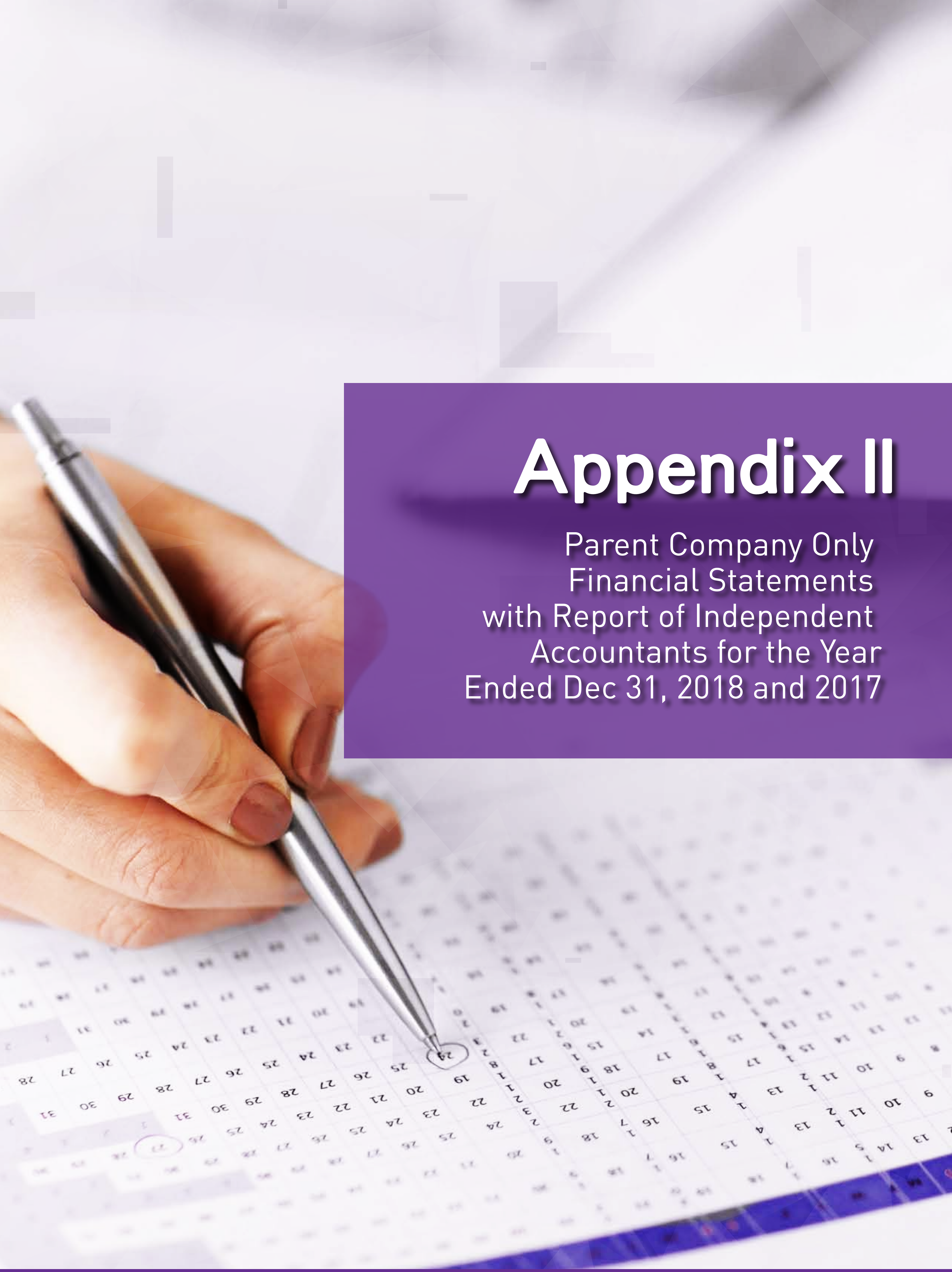
(1) represents the transactions from parent company to subsidiary.

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

(3) represents the transactions between subsidiaries.

Note 3: When calculating the amount of transaction as a proportion of the consolidated revenue or assets, if it is recognized as items of assets or liabilities, the ending balance should be divided by the consolidated assets: if it is recognized as income or loss, the midterm accumulated amount should be divided by the consolidated.

Note 4: The so-called significant transaction refers to those amount reaching NT$100 million or over 20% of the paid-in capital of the parent company.



Appendix II

Parent Company Only Financial Statements with Report of Independent Accountants for the Year Ended Dec 31, 2018 and 2017

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

Ticker: 1707

GRAPE KING BIO LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENEDED DECEMBER 31, 2018 AND 2017

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

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

English Translation of a Report Originally Issued in Chinese

Independent Auditor's Report

To Grape King Bio Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Grape King Bio Ltd. (the "Company") as of December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, based on our audits and the reports of other auditor (please refer to the Other Matter – Making Reference to the Audit of a Component Auditor section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and their parent company only financial performance and cash flows for the years ended December 31,2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 the parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

We have determined that revenue recognition is one of the key audit matters due to the following considerations. First of all, the revenue amounting to NT$1,821,840 thousand for the year ended December 31, 2018 is a significant account to the Company's financial statements. Secondarily, the Company's revenue sources include a variety of business models, including sale through distributors, subcontracting services, etc. The judgements needed for identifying performance obligations embedded in customer's orders or contracts and for determining the timing of satisfaction, the shelf fee arrangement for part of distributors' contracts increase the complexity of the Company's revenue recognition. As a result, our audit procedures include, but are not limited to, evaluating the properness of performance obligations and revenue recognition accounting policies (mainly including assessing the sufficiency of management's accruals made for shelf fee arrangement involving considerations to be paid to customers) for distributors' sales, testing effectiveness of relevant internal controls established by the management, performing test of details sampled from the sale subledger, performing sale cutoff test, and subsequently reviewing and searching for significant sale allowances and returns, etc. We also consider the appropriateness of the disclosure of operating revenues in Note 6 to the parent company only financial statements.

Inventory valuation

The net carrying value of inventory as of December 31, 2018 for Grape King Bio Ltd. amounted to NT$320,562 thousand, which were significant to the parent company only financial statements. We have determined that valuation on inventory is one of the key audit matters in considering that the maturity of the Company's main products, including health foods and beverages, may be short and the policy for provision against inventory normally involves the management's significant judgment. Our audit procedures therefore mainly include, but are not limited to, assessing the appropriateness of policy for inventory provision including those for identifying slow-moving inventory and analysis on inventory movement, testing the management's execution and compliance with the control policy for identifying products maturity including test on correctness of calculating the duration, analyzing the reasonableness of expiring inventory movement, examining the compliance of computing net realizable value of inventory based on different product maturity, and performing the observation procedure on the Company's inventory physical taking, etc. We also considered the appropriateness of the disclosure of inventories in Note 5 and 6 to the parent company only financial statements.

English Translation of a Report Originally Issued in Chinese

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

We did not audit the financial statements of Pro-partner Inc., an investment accounted for using equity method by the Company. The financial statements of Pro-partner Inc. as of December 31, 2018 and 2017, and for the years then ended were audited by other auditors, whose reports thereon have been furnished to us. Our audit, insofar as it related to the investment accounted for using equity method amounting to NT$1,784,621 thousand and NT$1,681,309 thousand as of December 31, 2018 and 2017 representing 24.87% and 26.45% of the Company's total assets, the related shares of profit or loss from the subsidiaries under equity method for the years then ended amounting to NT$893,337 thousand and NT$874,386 thousand representing 64.78% and 60.97% of the Company's income before tax, and the related shares of other comprehensive income from the subsidiaries under equity method for the years then ended amounting to NT$(57) thousand and NT$(181) thousand representing 0.25% and 1.43% of the other comprehensive income, are based solely on the audit reports of other auditors.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 the parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

English Translation of a Report Originally Issued in Chinese

Hong, Mao-Yi

Lo, Hsiao-Chin

ERNST & YOUNG
February 25th, 2019
Taipei, Taiwan,
Republic of China

Notices to Readers

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
GRAPE KING BIO LTD.
PARENT COMPANY ONLY BALANCE SHEETS
As of December 31, 2018 and 2017
(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	2018	2017	Liabilities and Stockholders' Equity	Notes	2018	2017
Current assets				**Current liabilities**			
Cash and cash equivalents	4,6(1)	$270,624	$316,143	Short-term debt	4,6(15),8	$800,000	$300,000
Financial assets at fair value through profit	4,6(2)(18)	-	69	Contract liabilities	3,6(23)	2,973	-
or loss, current				Notes payable		-	11
Financial assets measured at amortized cost	3,4,6(5)	8,970	-	Accounts payable		127,192	104,193
Notes receivable, net	4,6(7)	542	1,313	Other payables	6(16)	364,702	427,100
Accounts receivable, net	4,6(8)	28,698	31,141	Other payables-related parties	7	72	-
Accounts receivable-related parties,net	4,6(8),7	233,334	180,184	Current tax liabilities	4,5,6(27)	57,597	54,527
Other receivables	4	1,202	3,640	Other current liabilities	6(17)	11,682	18,844
Other receivables-related parties	4,7	69,846	65,857	Current portion of bonds payable	4,6(18)	-	171,207
Inventories, net	4,5,6(9)	320,562	321,845	**Total current liabilities**		1,364,218	1,075,882
Prepayments	6(11)	31,685	14,897				
Other current assets	6(11)	3,892	4,838	**Non-current liabilities**			
Total current assets		969,355	939,927	Deferred tax liabilities	4,5,6(27)	68,628	68,463
				Other liabilities	6(19)(21)	11,726	16,518
Non-current assets				**Total non-current liabilities**		80,354	84,981
Financial assets at fair value through other	3,4,5,6(3)	10,892	-				
comprehensive income				**Total liabilities**		1,444,572	1,160,863
Financial assets measured at amortized cost	3,4,6(5),8	9,600	-				
Financial assets measured at cost	3,4,6(4)	-	28,028	**Equity attributable to the parent company**			
Debt investments without active market	3,4,6(6),8	-	2,600	**Capital**	6(22)		
Investments accounted for using equity method	4,6(10)	2,668,412	2,342,067	Common stock		1,362,864	1,352,211
Property, plant and equipment	4,6(12),8	3,088,696	2,565,903	**Additional paid-in capital**	6(18)(22)	965,244	800,246
Investment properties	4,6(13)	235,088	235,355	**Retained earnings**	6(22)		
Intangible assets	4,6(14)	16,362	21,885	Legal reserve		810,407	675,213
Deferred tax assets	4,5,6(27)	1,334	811	Special reserve		74,671	74,671
Other assets-others	6(11)(21)	175,128	219,533	Unappropriated earnings		2,676,265	2,418,570
Total non-current assets		6,205,512	5,416,182	**Other components of equity**		(68,094)	(34,603)
				Treasury stock		(91,062)	(91,062)
				Total equity	4,6(22)	5,730,295	5,195,246
Total assets		$7,174,867	$6,356,109	**Total liabilities and equity**		$7,174,867	$6,356,109

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

GRAPE KING BIO LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017

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

	Notes	2018	2017
Operating revenues	3,4,6(23),7	$1,821,840	$1,770,158
Operating costs	7	(887,878)	(889,927)
Gross profit before unrealized inter-company profit		933,962	880,231
Unrealized inter-company profit		(5,078)	(4,505)
Gross profit		928,884	875,726
Operating expenses	7		
Sales and marketing		(315,038)	(224,058)
General and administrative		(253,348)	(220,436)
Research and development		(166,690)	(159,187)
Operating expenses total		(735,076)	(603,681)
Operating income		193,808	272,045
Non-operating income and expenses			
Other income	6(25),7	89,729	165,848
Other gain and losses	6(25)	(9,355)	(1,194)
Finance costs	6(25)	(6,400)	(5,057)
Share of profit or loss of subsidiaries		1,111,222	1,002,395
Non-operating income and expenses total		1,185,196	1,161,992
Income from continuing operations before income tax		1,379,004	1,434,037
Income tax expense	4,6(27)	(83,610)	(82,096)
Net income		1,295,394	1,351,941
Other comprehensive income (loss)	6(26)		
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain (loss) from defined benefit plans		935	(4,867)
Unrealized gains or losses on financial assets at fair value through other comprehensive income (loss)		(7,495)	-
Actuarial gain (loss) from defined benefit of subsidiaries		(72)	(240)
Income tax related to items that may not be reclassified subsequently		(169)	887
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(16,355)	(8,399)
Income tax related to items that may be reclassified subsequently		-	-
Total other comprehensive income(loss), net of tax		(23,156)	(12,619)
Total comprehensive income		$1,272,238	$1,339,322
Earnings per share-basic (In NTD)	6(28)	$9.57	$10.03
Earnings per share-diluted (In NTD)	6(28)	$9.50	$9.93

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese
GRAPE KING BIO LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2018 and 2017
(Amounts Expressed in Thousands of New Taiwan Dollar)

			Retained Earnings			Other Components of equity			
	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains or Losses on Financial Assets Measured at Fair Value through Other Comprehensive Income	Treasury stock	Total
Balance as of January 1, 2017	$1,352,142	$799,221	$545,536	$74,671	$2,062,646	$(26,204)	$-	$-	$4,808,012
Appropriations of prior year's earnings									
Legal reserve			129,677		(129,677)				-
Cash dividends					(862,120)				(862,120)
Shares from bonds converted	69	1,025							1,094
Net income, 2017					1,351,941				1,351,941
Other comprehensive income, 2017					(4,220)	(8,399)			(12,619)
Total comprehensive income					1,347,721	(8,399)			1,339,322
Treasury stock								(91,062)	(91,062)
Balance as of December 31, 2017	$1,352,211	$800,246	$675,213	$74,671	$2,418,570	$(34,603)	$-	$(91,062)	$5,195,246
Balance as of January 1, 2018	$1,352,211	$800,246	$675,213	$74,671	$2,418,570	$(34,603)	$-	$(91,062)	$5,195,246
Impact of retroactive applications							(9,641)		(9,641)
Adjusted balance as of January 1, 2018	1,352,211	800,246	675,213	74,671	2,418,570	(34,603)	(9,641)	(91,062)	5,185,605
Appropriations of prior year's earnings									
Legal reserve			135,194		(135,194)				-
Cash dividends					(903,199)				(903,199)
Shares from bonds converted	10,653	158,547							169,200
Other		6,451							6,451
Net income, 2018					1,295,394				1,295,394
Other comprehensive income, 2018					694	(16,355)	(7,495)		(23,156)
Total comprehensive income					1,296,088	(16,355)	(7,495)		1,272,238
Balance as of December 31, 2018	$1,362,864	$965,244	$810,407	$74,671	$2,676,265	$(50,958)	$(17,136)	$(91,062)	$5,730,295

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

GRAPE KING BIO LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities:		
Net income before tax	$1,379,004	$1,434,037
Adjustments to reconcile net income (loss) before tax to net cash provided by (used in) operating activities:		
Depreciation	168,292	159,584
Amortization	6,640	6,296
Expected credit loss(gain) through profit or loss	87	-
Net gain of financial assets at fair value	(364)	(387)
Interest expense	6,400	5,057
Interest income	(453)	(481)
Dividend income	(2)	(2)
Share of profit or loss of subsidiaries	(1,111,222)	(1,002,395)
Loss from disposal of property, plant and equipment	495	851
Urealized inter-company profit	5,078	4,505
Changes in operating assets and liabilities:		
Financial asset held for trading	-	241,378
Financial assets mandatorily measured at fair value through profit or loss	427	-
Notes receivable	771	(1,048)
Accounts receivable	2,356	14,140
Accounts receivable-related parties	(53,150)	25,649
Other receivables	2,438	(1,139)
Other receivables-related parties	(3,989)	738
Inventories	1,283	13,129
Prepayments	(16,788)	(7,552)
Other current assets	946	(1,460)
Contract liabilities	1,680	-
Notes payable	(11)	(130)
Accounts payable	22,999	3,115
Other payables	12,386	18,930
Other payables-related parties	72	-
Advance receipts	(1,293)	(2,482)
Other current liabilities	(5,869)	(78,463)
Accrued pension liabilities	(4,287)	(14,109)
Cash generated from operations	413,926	817,761
Interest received	453	481
Interest paid	(4,941)	(1,510)
Income tax paid	(81,082)	(89,290)
Net cash provided by (used in) operating activities	328,356	727,442

	2018	2017
Cash flows from investing activities:		
Disposal of financial assets measured at amortized cost	(15,970)	-
Investments accounted for using equity method	(23,200)	-
Acquisition of property, plant and equipment	(733,777)	(692,547)
Disposal of property, plant and equipment	72	-
Decrease (incerase) in refundable deposits	608	(1,183)
Acquisition of intangible assets	(1,117)	(1,903)
Other financial assets	15,000	-
Cash dividends received	786,589	637,324
Net cash provided by (used in) investing activities	28,205	(58,309)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	500,000	250,000
Repayment of bonds payable	(3,325)	-
(Decrease) increase deposits received	(2,007)	(186)
Cash dividends	(903,199)	(862,120)
Cost of Treasury stock	-	(91,062)
Other	6,451	-
Net cash provided by (used in) financing activities	(402,080)	(703,368)
Net (decrease) increase in cash and cash equivalents	(45,519)	(34,235)
Cash and cash equivalents at beginning of period	316,143	350,378
Cash and cash equivalents at end of period	$270,624	$316,143

The accompanying notes are an integral part of the parent company only financial statements.

1. History and organization

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

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

The parent company only financial statements of the Company for the years ended 31 December 2018 and 2017 were authorized for issuance at February 25, 2019 by the Board of Directors.

3. Newly issued or revised standards and interpretations

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

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

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

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

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

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

B. Sale of goods

Before 1 January 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from 1 January 2018, in accordance with IFRS 15, the Company recognized revenue when (or as) the Company satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Company's revenue recognition from sale of goods. However, for some contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently. Before 1 January 2018, the Company recognized the consideration received in advance from customers under other current liabilities. Starting from 1 January 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Company as at the date of initial application was NT$1,293 thousand. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT$2,973 thousand and the contract liabilities increased by NT$2,973 thousand as of December 31, 2018.

C. The considerations paid to customers

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

Besides, in comparison with the requirement of IAS 18, operating revenues under IFRS 15 for the year ended December 31, 2018 are decreased by NT$18,337 thousand, respectively, selling and marketing expenses are decreased by NT$18,337 thousand, respectively.

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

In accordance with the transitional provisions of IFRS 15, the Company elects to recognize the cumulative effect of initially applying IFRS15 at the date of initial application (1 January 2018). If the Company had recorded the considerations paid to customers as a reduction against revenue in accordance with IFRS 15 for the year ended December 31, 2017, the impact on the income statement accounts then would have been as follows.

	For the year ended December 31, 2018 (Adopting IFRS 15)		For the year ended December 31, 2017 (If adopting IFRS 15)		For the year ended December 31, 2017 (Adopting IAS 18)	
account	Amount	%	Amount	%	Amount	%
Comprehensive Income:						
Operating revenues	$1,821,840	100.00	$1,755,312	100.00	$1,770,158	100.00
Operating costs	(887,878)	(48.73)	(889,927)	(50.70)	(889,927)	(50.27)
Gross profit before unrealized inter-company profit	933,962	51.27	865,385	49.30	880,231	49.73
Unrealized inter-company profit	(5,078)	(0.28)	(4,505)	(0.26)	(4,505)	(0.26)
Gross profit	928,884	50.99	860,880	49.04	875,726	49.47
Operating expenses：						
Selling and marketing	(315,038)	(17.29)	(209,212)	(11.92)	(224,058)	(12.66)
General and administrative	(253,348)	(13.91)	(220,436)	(12.55)	(220,436)	(12.45)
Research and development	(166,690)	(9.15)	(159,187)	(9.07)	(159,187)	(8.99)
Operating expenses total	(735,076)	(40.35)	(588,835)	(33.54)	(603,681)	(34.10)
Operating income	193,808	10.64	272,045	15.50	272,045	15.37
Non-operating income and expenses	1,185,196	65.05	1,161,992	66.20	1,161,992	65.64
Income before income tax	1,379,004	75.69	1,434,037	81.70	1,434,037	81.01
Income tax expense	(83,610)	(4.59)	(82,096)	(4.68)	(82,096)	(4.64)
Net income	1,295,394	71.10	1,351,941	77.02	1,351,941	76.37
Total other comprehensive income, net of tax	(23,156)	(1.27)	(12,619)	(0.72)	(12,619)	(0.71)
Total comprehensive income	$1,272,238	69.83	$1,339,322	76.30	$1,339,322	75.66
Earnings per share(NTD)						
Earnings per share-basic (In NT$)	9.57		10.03		10.03	
Earnings per share-diluted (In NT$)	9.50		9.93		9.93	

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

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

(b) IFRS 9"Financial Instruments"

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

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

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

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through profit or loss	$69	Fair value through profit or loss	$69
Available-for-sale financial assets (including NT$28,028 thousand measured at cost)	28,028	Equity instruments measured at fair value through other comprehensive income	18,387
At amortized cost Loans and receivables (including cash and cash equivalents, notes receivables, accounts receivables (related parties included), debt investments without active market and other receivables (related parties included))	600,878	At amortized cost (including cash and cash equivalents, notes receivables, accounts receivables (related parties included), financial assets measured at amortized cost and other receivables (related parties included))	600,878
Total	$628,975	Total	$619,334

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

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

IAS 39		IFRS 9				
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	Retained earnings adjustment	Other components of equity adjustment
Financial assets at fair value through profit or loss (Note 1)	$69	Measured at fair value through profit or loss (Note 1)	$69	$-	$-	$-
Available-for-sale financial assets (including investments measured at cost with initial investment cost of NT$28,028 thousand, reported as a separate line item) (Note 2)	28,028	Equity instruments measured at fair value through other comprehensive income	18,387	(9,641)	-	(9,641)
Loans and receivables (Note 3)						
Cash and cash equivalents	316,143	Cash and cash equivalents	316,143	-	-	-
Debt investments without active market (noncurrent included)	2,600	Financial assets measured at amortized costs (noncurrent included)	2,600	-	-	-
Notes receivables	1,313	Notes receivables	1,313	-	-	-
Accounts receivables (related parties included)	211,325	Accounts receivables (include related parties)	211,325	-	-	-
Other receivables (related parties included)	69,497	Other receivables (related parties included)	69,497	-	-	-
Subtotal	600,878	Subtotal	600,878	-	-	-
Total	$628,975	Total	$619,334	$(9,641)	$-	$(9,641)

Note 1: In accordance with IAS 39, financial assets classified as held for trading which measured at fair value through profit or loss might include embedded derivatives. In accordance with IFRS 9, they are classified as financial assets mandatorily measured at fair value through profit or loss.

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

Stocks (unlisted companies)

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

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

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

As of 1 January 2018, debt investments without active market (noncurrent included) of NT$2,600 thousand were reclassified to financial assets measured at amortized cost.

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

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

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

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

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

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

(a) IFRS 16"Leases"

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors' classification remains unchanged as operating or finance leases, but additional disclosure information is required.

(b) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

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

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

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

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

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

IFRS 3 “Business Combinations”

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

IFRS 11 “Joint Arrangements”

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

IAS 12 “Income Taxes”

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

IAS 23 “Borrowing Costs”

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

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

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2019. Apart from item (a) explained below, the remaining standards and interpretations have no material impact on the Company.

(a) IFRS 16 "Leases"

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

The impact arising from the adoption of IFRS 16 on the Company are summarized as follows:

A. For the definition of a lease, the Company elects not to reassess whether a contract is, or contains, a lease at the date of initial application (1 January 2019) in accordance with the transition provision in IFRS 16. Instead, the Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(i) Leases classified as operating leases

For leases that were classified as operating leases applying IAS 17, the Company expects to measure and recognize those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019 and the Company recognizes the right-of-use asset measuring at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease, on a lease-by-lease basis.

Accordingly, the Company expects that the right-of-use asset will increase by NT$107,924 thousand, and lease liability by NT$107,924 thousand as of 1 January 2019.

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

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

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

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

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

(b) IFRS 17 “Insurance Contracts”

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

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

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

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

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

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

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

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company determined the standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of compliance

The parent company only financial statements of the Company for the years ended December 31, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

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

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in New Taiwan Dollar.

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

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

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IFRS 9 Financial Instruments (Before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

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

Each foreign operation of the company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

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

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

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

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

(7) Financial instruments

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

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

A. Financial instruments: Recognition and Measurement

The accounting policy from 1 January 2018 is as follow:

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

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

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

Financial assets measured at amortized cost

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

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

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

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

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

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

Financial asset measured at fair value through other comprehensive income

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

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

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

Financial asset measured at fair value through profit or loss

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

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

The accounting policy before 1 January 2018 was as follow:

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

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

Available-for-sale financial assets

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

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

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

Loans and receivables

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

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

B. Impairment of financial assets

The accounting policy from 1 January 2018 is as follow:

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

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

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

The loss allowance is measures as follow:

(a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.

(b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

(c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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

The accounting policy before 1 January 2018 was as follow:

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

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

Other loss events include:

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

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

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

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

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

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

Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(8) Fair value measurement

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

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

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

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

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

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

(9) Inventories

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

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

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

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

(10) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IAS 10 "Consolidated and Separate Financial Statements" and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

(11) Property, plant and equipment

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

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

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

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

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

(12) Investment Property

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

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

Buildings	35～50 years

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

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

(13) Leasing

Company as a lessee

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

Company as a lessor

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

(14) Intangible assets

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

The useful lives of intangible assets is assessed finite.

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

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

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

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

(15) Impairment of non-financial assets

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

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

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

(16) Treasury stock

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

(17) Revenue recognition

The accounting policy from 1 January 2018 as follow:

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

Sale of goods

The Company manufactures and sells of goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. Revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

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

Rendering of services

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

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

The accounting policy before 1 January 2018 was as follow:

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

Sale of goods

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

Rendering of services

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

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

Interest income

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

Dividends

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

(18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(19) Government grants

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

(20) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the Company's parent company only financial statements.

For defined contribution plan, the Company will make a monthly contribution of no less than 6% of monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

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

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

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

(21) Income tax

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

Current income tax

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

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

Deferred income tax

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

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

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

5. Significant accounting judgements, estimates and assumptions

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

Estimates and assumptions

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

(a)Fair value of financial instruments

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

(b)Accounts receivables – estimation of impairment loss

Starting from January 1, 2018:

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

Before January 1, 2018:

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

(c) Inventory valuation

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

(d) Post-employment benefits

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

(e) Revenue recognition – sales returns and allowance

Starting from January 1, 2018:

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

Before January 1, 2018:

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

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

(f) Income tax

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

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of December 31,	
	2018	2017
Cash on hand	$243	$265
Demand deposits	270,295	315,794
Checking deposits	86	84
Total	$270,624	$316,143

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

	As of December 31,	
	2018	2017
Embedded Derivatives:		
Right of redemption	$-	$69

	As of December 31,	
	2018	2017
Current	$-	$69
Non-current	-	-
Total	$-	$69

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

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

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

	As of December 31,	
	2018	2017 (Note)
Equity instruments investments measured at fair value through other comprehensive income – Non-current:		
Unlisted company's stocks	$10,892	

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

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

b. For equity instrument investments measured at fair value through other comprehensive income, the Company recognized dividends in the amount of NT$2 thousand for the year ended December 31, 2018.

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

(4) Financial assets measured at cost

	As of December 31,	
	2018(Note)	2017
Unlisted company's stocks		$28,028

	As of December 31,	
	2018 (Note)	2017
Current		$-
Non-current		28,028
Total		$28,028

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

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

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

Financial assets measured at cost were not pledged.

(5) Financial assets measured at amortized cost

	As of December 31,	
	2018	2017 (Note)
Time deposits	$18,570	
Current	$8,970	
Non-current	9,600	
Total	$18,570	

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

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

(6) Debt investments without active market

	As of December 31,	
	2018(Note)	2017
Time deposits		$2,600
Current		$-
Non-current		2,600
Total		$2,600

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

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

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

(7) Notes receivables

	As of December 31,	
	2018	2017
Notes receivables arising from operating activities	$542	$1,313
Less: loss allowance	-	-
Total	$542	$1,313

Notes receivables were not pledged.

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

(8) Accounts receivables and Accounts receivables-related parties

	As of December 31,	
	2018	2017
Accounts receivables	$31,964	$34,320
Less: loss allowance	(3,266)	(3,179)
Subtotal	28,698	31,141
Accounts receivables-related parties	233,334	180,184
Less: loss allowance	-	-
Subtotal	233,334	180,184
Total	$262,032	$211,325

Accounts receivables were not pledged.

Accounts receivables are generally on the collection term of 30-135 days. The Company adopts IFRS 9 for impairment assessment since January 1, 2018 in considering the factors such as the counterparty and area to distinguish the different groups and to adopt the expected credit loss rate during the continuation period. The estimated loss ratio was small at December 31, 2018.

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

	Accounts receivables
As of January 1, 2018(in accordance with IAS 39)	$3,179
Beginning adjusted retained earnings	-
As of January 1, 2018(in accordance with IFRS 9)	3,179
Charge/(reversal) for the current period	87
As of December 31, 2018	$3,266

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

	Individually impaired	Collectively impaired	Total
As of January 1, and December 31,2017	$-	$3,179	$3,179

Aging analysis for the net accounts receivable, including related parties, were as follows:

		Past due but not impaired:			
As of	Neither past due nor impaired	<=90 days	90~180days	>180 days	Total
December 31, 2018	$256,263	$5,769	$-	$-	$262,032
December 31, 2017	203,207	8,115	3	-	211,325

(9) Inventories

	As of December 31,	
	2018	2017
Raw materials	$50,668	$48,167
Supplies	27,358	28,600
Semi-finished goods and Work in process	157,567	153,358
Finished goods	83,497	87,385
Merchandise	1,472	4,335
Total	$320,562	$321,845

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

a. The cost of inventories recognized in expenses in amount of NT$887,878 thousand and NT$889,927 thousand for the years ended December 31, 2018 and 2017, respectively, including the write-down of inventories, is detailed as following

	For the year ended December 31,	
	2018	2017
Inventory loss on retirement	$16,127	$18,874
Loss(gain) from physical taking	(1,045)	(1,668)
Total	$15,082	$17,206

b. No inventories were pledged.

(10) Investments accounted for using the equity method

	As of December 31,			
	2018		2017	
Investees	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Pro-partner Inc.	$1,784,621	60.00	$1,681,309	60.00
GRAPE KING INTERNATIONAL INVESTMENT INC.	815,416	100.00	632,347	100.00
Rivershine Ltd.	38,237	100.00	28,411	100.00
Dongpu Biotech Corporation	30,138	100.00	-	-
Total	$2,668,412		$2,342,067	

(1) The Company accounted for it investments in subsidiaries using equity method and, accordingly, made necessary valuations and adjustments.

(2) The Company's investments accounted for using the equity method were not pledged.

(11) Prepayments and Other assets

	As of December 31,	
	2018	2017
Prepayment for purchase	$24,956	$10,190
Prepayment for equipment	156,855	189,382

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

Other prepaid expenses	6,729	4,707
Other current assets	3,892	4,838
Overdue receivable	2,244	2,244
Less: loss allowance	(2,244)	(2,244)
Refundable deposits	14,543	15,151
Defined benefit asset	3,730	-
Other noncurrent assets-other	-	15,000
Total	$210,705	$239,268
Current portion	$35,577	$19,735
Noncurrent portion	175,128	219,533
Total	$210,705	$239,268

Overdue receivables were those expected not to be collected within a year and the Company has provided a full allowance for doubtful debts against them. The Company holds collateral for overdue receivables of NT$2,244 thousand.

(12) Property, plant and equipment

	Land	Land Improvement	Building	Machinery	Vehicle	Leasehold improvement	Other facilities	Construction in progress	Total
Cost:									
As of Jan. 1, 2018	$625,935	$1,974	$1,670,523	$980,553	$10,214	$4,512	$202,835	$311,633	$3,808,179
Additions	-	-	11,185	6,322	3,990	890	22,435	434,814	479,636
Disposals	-	-	-	(2,270)	-	(4,512)	(1,717)	-	(8,499)
Transfers	-	-	28,485	68,152	-	16,809	3,681	94,622	211,749
As of Dec. 31, 2018	$625,935	$1,974	$1,710,193	$1,052,757	$14,204	$17,699	$227,234	$841,069	$4,491,065
As of Jan. 1, 2017	$641,712	$940	$1,599,963	$900,671	$9,062	$4,512	$167,176	$52,047	$3,376,083
Additions	-	120	14,987	10,977	1,152	-	25,085	361,609	413,930
Disposals	(15,777)	-	(1,515)	(11,444)	-	-	(2,483)	-	(31,219)
Transfers	-	914	57,088	80,349	-	-	13,057	(102,023)	49,385
As of Dec. 31, 2017	$625,935	$1,974	$1,670,523	$980,553	$10,214	$4,512	$202,835	$311,633	$3,808,179
Accumulated Depreciation:									
As of Jan. 1, 2018	$-	$687	$391,255	$716,596	$5,735	$4,503	$123,500	$-	$1,242,276
Depreciation	-	286	74,026	67,483	1,573	977	23,680	-	168,025

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

Disposals	-	-	-	(2,166)	-	(4,511)	(1,255)	-	(7,932)
As of Dec. 31, 2018	$-	$973	$465,281	$781,913	$7,308	$969	$145,925	$-	$1,402,369
As of Jan. 1, 2017	$-	$427	$321,210	$665,823	$4,535	$4,403	$101,151	$-	$1,097,549
Depreciation	-	260	71,330	61,704	1,200	100	24,724	-	159,318
Disposals	-	-	(1,285)	(10,931)	-	-	(2,375)	-	(14,591)
As of Dec. 31, 2017	$-	$687	$391,255	$716,596	$5,735	$4,503	$123,500	$-	$1,242,276
Net carrying amount as of:									
Dec. 31, 2018	$625,935	$1,001	$1,244,912	$270,844	$6,896	$16,730	$81,309	$841,069	$3,088,696
Dec. 31, 2017	$625,935	$1,287	$1,279,268	$263,957	$4,479	$9	$79,335	$311,633	$2,565,903

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

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

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

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

(13) Investment property

	Land	Buildings	Total	Accumulated Depreciation	Net
As of January 1, 2018	$225,109	$12,250	$237,359	$(2,004)	$235,355
Depreciation	-	-	-	(267)	(267)
As of December 31, 2018	$225,109	$12,250	$237,359	$(2,271)	$235,088

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

As of January 1, 2017	$225,109	$12,250	$237,359	$(1,738)	$235,621
Depreciation	-	-	-	(266)	(266)
As of December 31, 2017	$225,109	$12,250	$237,359	$(2,004)	$235,355

	For the year ended December 31,	
	2018	2017
Rental income from investment property	$2,832	$2,832
Less:		
Direct operating expenses from investment property generating rental income	(267)	(266)
Total	$2,565	$2,566

a. No investment property was pledged.

b. Investment properties held by the Company are not measured at fair value while its fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties held by the Company is NT$307,546 thousand and NT$301,132 thousand, as of December 31, 2018 and 2017, respectively. The fair value has been determined based on the publicly announced current land value, and building value.

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

(14) Intangible assets

	Computer software	Trademark	Total
Cost:			
As of January 1, 2018	$18,163	$15,049	$33,212
Addition-acquired separately	1,117	-	1,117
As of December 31, 2018	$19,280	$15,049	$34,329
As of January 1, 2017	$16,260	$15,049	$31,309
Addition-acquired separately	1,903	-	1,903
As of December 31, 2017	$18,163	$15,049	$33,212

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

Accumulated Amortization:			
As of January 1, 2018	$5,111	$6,216	$11,327
Amortization	2,715	3,925	6,640
As of December 31, 2018	$7,826	$10,141	$17,967
As of January 1, 2017	$2,741	$2,290	$5,031
Amortization	2,370	3,926	6,296
As of December 31, 2017	$5,111	$6,216	$11,327
Net carrying amount as of:			
December 31, 2018	$11,454	$4,908	$16,362
December 31, 2017	$13,052	$8,833	$21,885

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

	For the year ended December 31,	
	2018	2017
General administrative expenses	$6,545	$6,296
Selling and marketing expenses	$95	$-

(15) Short-term debt

		As of December 31,	
	Interest Rates (%)	2018	2017
Secured bank loans	0.98%~1.05%	$650,000	$100,000
Unsecured bank loans	0.98%~1.10%	150,000	200,000
		$800,000	$300,000

The Company's unused short-term lines of credits amount to NT$650,000 thousand as of December 31, 2018 and 2017.

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

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

(16)Other Payables

	As of December 31,	
	2018	2017
Salaries and incentive bonus	$107,547	$52,582
Bonus to employees	122,578	175,638
Bonus to directors and supervisors	30,645	31,867
Other accrued expenses	75,659	68,154
Payables on equipment	17,562	92,481
Accrued VAT payable	8,733	4,494
Others	1,978	1,884
Total	$364,702	$427,100

(17)Other current liabilities

	As of December 31,	
	2018	2017
Sales revenue received in advance	$-Note	$1,293
Provisions for sales returns and allowances	Note	2,831
Refund liability	2,831	Note
Other current liabilities-other	8,851	14,720
Total	$11,682	$18,844

Note: The Company accounts in accordance with IFRS 15 since 1 January 2018.

Provisions for sales returns and allowances

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

	As of December 31,
	2017
Current	$2,831
Non-current	-
Total	$2,831

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

Sales returns and allowances

In December 2016, the Company was affected by news events suspected of being overdue goods. In order to resolve the consumers' concern, the Company have accepted the return from consumers by the end of February 2017 and recorded the estimated loss from sales return in amount of NT$7,500 thousand in 2016. As of December 31, 2018, the actual sale return totaled to NT$4,669 thousand.

(18)Bonds payable

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

a. Domestic convertible bonds payable

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

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

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

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

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

(c) Secured or unsecured: Unsecured bonds.

(d) Terms of Exchange:

① Underlying Securities: Common shares of the Company

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

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

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

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

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

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

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

(e)Redemption clauses:

① The Company may redeem the bonds, in whole, but not in part, after a month of the issuance (September 27, 2015) and prior to the maturity date (July 17, 2018), at the principal amount of the bonds if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 30% of the conversion price.

② The Company may redeem the bonds, in whole, but not in part, at the Early Redemption Price if at least 90% in principal amount of the bonds has already been exchanged, redeemed or purchased and cancelled.

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

(19)Other noncurrent liabilities

	As of December 31,	
	2018	2017
Guarantee deposit received	$11,402	$13,409
Accrued pension liabilities	-	1,492
Other noncurrent liabilities-other	324	1,617
Total	$11,726	$16,518

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

(20) Operating leases

Operating lease commitments – Company as lessee

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

	As of December 31,	
	2018	2017
Within one year	$13,360	$15,402
From one year to five years	44,727	18,146
Over five years	61,401	-
Total	$119,488	$33,548

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

Operating lease expenses recognized are as follows:

	For the year ended December 31,	
	2018	2017
Minimum lease payments	$15,155	$17,709

(21) Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 were NT$10,228 thousand and NT$9,102 thousand, respectively.

Defined benefit plan

Expenses under the defined benefit plan for the years ended December 31, 2018 and 2017 were NT$(118) thousand and NT$618 thousand, respectively.

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

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

The Company has applied to Department of Labor, Taoyuan City Government for sharing the labor retirement fund under a defined beneit plan with its subsidiary, Rivershine Ltd. (Rivershine). Accordingly Rivershine regonized pension expense in amount of NT$764 thousand for the year ended December 31, 2018. The related information is as follows.

As of December 31, 2018, the Company plans to contribute NT$3,073 thousand to the funds under its defined benefit scheme during the following fiscal year.

As of December 31, 2018, and 2017, the maturities of the Company's defined benefit plan were expected in 2031 and 2030 and the detail information is listed as below.

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

Pension costs recognized in profit or loss were as follows:

	For the year ended December 31,	
	2018	2017
Service costs	$649	$486
Net interest of defined benefit liability (asset)	(3)	132
Total	$646	$618

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

	As of		
	December 31, 2018	December 31, 2017	January 1, 2017
Defined benefit obligation	$18,482	$24,375	$30,725
Plan assets at fair value	(22,212)	(22,883)	(19,991)
Other non-current liabilities – net defined benefit liability	$(3,730)	$1,492	$10,734

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
2017.1.1	$30,725	$19,991	$10,734
Current service cost	486	-	486
Interest expense(revenue)	458	326	132
Past service cost and settlement	-	-	-
Total	31,669	20,317	11,352
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	-	-	-
Actuarial gain/loss due to change in financial assumptions	808	-	808
Experience adjustments	3,923	-	3,923
Re-measurement on defined benefit assets	-	(136)	136
Total	4,731	(136)	4,867
Benefits paid	(12,025)	(560)	(11,465)

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

Contributions by employer	-	3,262	(3,262)
Effect of exchange rate	-	-	-
2017.12.31	24,375	22,883	1,492
Current service cost	391	-	391
Interest expense(revenue)	304	307	(3)
Past service cost and settlement	258	-	258
Total	25,328	23,190	2,138
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	(5)	-	(5)
Actuarial gain/loss due to change in financial assumptions	744	-	744
Experience adjustments	(1,092)	-	(1,092)
Re-measurement on defined benefit assets	-	582	(582)
Total	(353)	582	(935)
Benefits paid	(1,357)	-	(1,357)
Contributions by employer	-	2,821	(2,821)
Curtailment	(5,136)	(4,381)	(755)
Effect of exchange rate	-	-	-
2018.12.31	$18,482	$22,212	$(3,730)

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

	As of December 31,	
	2018	2017
Discount rate	1.00%	1.25%
Expected rate of salary increases	2.00%	2.00%

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

Sensitivity analysis:

	For the year ended December 31,			
	2018		2017	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.25%	$-	$(626)	$-	$(808)
Discount rate decrease by 0.25%	655	-	845	-
Expected salary level increased by 0.25%	647	-	836	-
Expected salary level decreased by 0.25%	-	(621)	-	(804)

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

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

(22) Equities

(a)Common stock

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

During 2017, the unsecured convertible bonds in amount of NT$1,100 thousand were converted into 6,849 shares at par value of NT$69 thousand. For the period ended December 31, 2018, the unsecured convertible bonds in amount of NT$168,800 thousand were converted into 1,065,313 shares at par value of NT$10,653 thousand.

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

(b)Capital reserve

	As of December 31,	
	2018	2017
Treasury share transactions	$4,363	$4,363
Convertible bonds-share option	-	7,792
Convertible bonds-expired share option	150	-
Additional paid-in capital	954,280	788,091
Other	6,451	-
Total	$965,244	$800,246

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

(c)Treasury stock

On January 3, 2017, the Company's board has resolved to buy back its own shares as treasury stocks for transferring to its employee. The repurchase period was from January 4, 2017 to March 3, 2017 and the share volume to be brought back were 3,000,000 shares with the unit price interval of NT$118 to NT$349.5. As of the end of the repurchase period, the number of shares repurchased were 508,000 shares and the average repurchase unit price NT$179.26. The carrying value of treasury stock as of December 31, 2018 was NT$91,062 thousand.

(d)Retained earnings and dividend policy

A. Retained earnings

According to the company articles, the Company shall distribute their annual earnings, if any, in the sequence listed below.

a. Payment of all taxes and dues;
b. Making up loss for preceding years, if any;

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

B. Dividend policy

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

C. Legal reserve

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

D. Special reserve

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

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

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

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

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

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

(23) Operating revenues

	For the year ended December 31,	
	2018(Note)	2017
Sale of goods	$1,820,360	$1,742,206
Revenue arising from rendering of services	1,480	25,325
Other operating revenues	-	2,627
Total	$1,821,840	$1,770,158

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

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

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

(1) Disaggregation of revenue

For the year ended December 31, 2018

	MLM	Distribution	OEM	Total
Sale of goods	$1,432,941	$268,130	$119,289	$1,820,360
Revenue arising from rendering of services	-	-	1,480	1,480
Total	$1,432,941	$268,130	$120,769	$1,821,840
Revenue recognition point:				
At a point in time	$1,432,941	$268,130	$120,769	$1,821,840

(2) Contract balances

A. Contract liabilities – current

	Beginning balance	Ending balance	Difference
Sales of goods	$1,293	$2,973	$1,680

The difference between the balance of the Company's contractual liabilities on December 31, 2018 and the beginning balance was due to the partial consideration received from customers and to be recognized as income upon the related performance obligations being satisfied subsequently.

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

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

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

	For the year ended December 31,					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries & wages	$153,801	$224,232	$378,033	$160,690	$185,603	$346,293
Labor and health insurance	9,849	13,856	23,705	8,899	13,422	22,321
Pension	5,173	4,937	10,110	4,722	4,998	9,720
Other employee benefits	6,037	4,677	10,714	5,525	4,154	9,679
Board compensation	-	27,332	27,332	-	27,405	27,405
Depreciation (Note 2)	128,037	40,255	168,292	121,902	37,682	159,584
Amortization	-	6,640	6,640	-	6,296	6,296

Note 1：As of December 31, 2018, and 2017, the number of employees is 397 and 370 respectively. There were 8 non-employee directors for both years.

Note 2：The aforementioned depreciation includes the depreciation of investment properties, that the Company recognized other gains and losses NT$267 thousand and NT$266 thousand, respectively, for the year ended December 31, 2018 and 2017.

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

Based on profit of the year ended December 31, 2018, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 to be 8% of profit of the current year and 2% of profit of the current year, respectively, recognized as employee benefits expense and remuneration to directors and supervisors. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 amount to NT$122,578 thousand and NT$30,645 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017 amount to NT$127,470 thousand and NT$31,867 thousand, respectively. If the Board of Directors resolves to distribute employee compensation through stock, the number of stock distributed is calculated based on total employee compensation dividend by the closing price of the day before the Board of Directors meeting.

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

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

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

(25) Non-operating incomes and expenses

(a) Other incomes

	For the year ended December 31,	
	2018	2017
Rental revenue	$3,818	$3,850
Interest income from bank deposits	Note	481
Financial assets measured at amortized cost	453	Note
Dividend income	2	2
Board compensation income	68,073	65,483
Compensation revenue	-	93,497
Other Income	17,383	2,535
Total	$89,729	$165,848

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

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

(b) Other gains and losses

	For the year ended December 31,	
	2018	2017
Gain from financial assets at fair value through P/L(Note)	$364	$387
Loss from disposal of property, plant and equipment	-	(715)
Foreign exchange loss, net	627	(599)
Others	(10,346)	(267)
Total	$(9,355)	$(1,194)

Note: Balance in current period was arising from financial assets mandatorily measured at fair value through profit or loss and balance in prior period was arising from held for trading investment.

(c) Finance costs

	For the year ended December 31,	
	2018	2017
Interest on borrowings from bank	$5,044	$1,705
Imputed interest on deposit	32	32
Interest on corporate bond	1,324	3,320
Total	$6,400	$5,057

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(26) Components of other comprehensive income

For the year ended December 31, 2018

	Arising during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
Not reclassified to profit or loss:			
Measure on defined benefit plans	$935	$(184)	$751
Unrealized gain (losses) from equity instruments investments measured at fair value through other comprehensive income	(7,495)	-	(7,495)
Actuarial gain (loss) from defined benefit of subsidiaries	(72)	15	(57)
To be reclassified to profit or loss in subsequent period:			
Exchange differences resulting from translating the financial statements of foreign operations	(16,355)	-	(16,355)
Total	$(22,987)	$(169)	$(23,156)

For the year ended December 31, 2017

	Arising during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
Not reclassified to profit or loss:			
Measure on defined benefit plans	$(4,867)	$828	$(4,039)
Actuarial gain (loss) from defined benefit of subsidiaries	(240)	59	(181)
To be reclassified to profit or loss in subsequent period:			
Exchange differences resulting from translating the financial statements of foreign operations	(8,399)	-	(8,399)
Total	$(13,506)	$887	$(12,619)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(27) Income tax

Income tax rate applicable to the Company would be changed to 20% from 17% starting the year of 2018 in accordance with an amendment to Taiwan Income Tax Act resolved in the third-reading by Legislative Yuan on January 18, 2018. Income tax on unappropriated earnings would be changed to 5% from 10%

The major components of 2018 and 2017 income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,	
	2018	2017
Current income tax expense (benefit):		
Current income tax charge	$54,842	$57,249
Income tax on unappropriated earnings	31,355	30,496
Adjustments in respect of current income tax of prior periods	(2,045)	(23,427)
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) related to origination and reversal of temporary difference	(383)	17,778
The effect of tax rate change	(140)	-
Tax expense (income) recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(19)	-
Total income tax expense	$83,610	$82,096

Income tax relating to components of other comprehensive income

	For the year ended December 31,	
	2018	2017
Deferred tax expense (benefit):		
Exchange differences on translation of foreign operations	$-	$-
Actuarial gain (loss) from defined benefit of subsidiaries	(15)	(59)
Premeasurement of defined benefit plans	184	(828)
Income tax relating to components of other comprehensive income	$169	$(887)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2018	2017
Accounting profit (loss) before tax from continuing operations	$1,379,004	$1,434,037
Tax payable at the enacted tax rates	$275,801	$243,786
Tax effect of deferred tax assets/liabilities	-	(18,919)
10 % surtax on undistributed retained earnings	31,355	30,496
Adjustments in respect of current income tax of prior periods	(2,045)	(23,427)
Adjustment in respect of deffered tax of prior periods	(19)	17,802
The effect of tax rate change	(140)	-
Others	(221,342)	(167,642)
Total income tax expense (income) recognized in profit or loss	$83,610	$82,096

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2018

	Beginning balance as of Jan. 1, 2018	Deferred tax income (expense) recognized in P/L	Deferred tax income (expense) recognized in OCI	Ending balance as of Dec. 31, 2018
Temporary differences				
Unrealized revaluation	$(68,463)	$-	$-	$(68,463)
Employee benefit payable	241	43	-	284
Allowance for uncollectible accounts	551	15	-	566
Employee benefit	-	484	-	484
Defined benefit liability(asset)-non-current	19	-	(184)	(165)
Deferred tax income/ (expense)		$542	$(184)	
Net deferred tax assets/(liabilities)	$(67,652)			$(67,294)
Reflected in balance sheet as follows:				
Deferred tax assets	$811			$1,334
Deferred tax liabilities	$(68,463)			$(68,628)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2017

	Beginning balance as of Jan. 1, 2017	Deferred tax income (expense) recognized in P/L	Deferred tax income (expense) recognized in OCI	Ending balance as of Dec. 31, 2017
Temporary differences				
Unrealized revaluation	$(68,463)	$-	$-	$(68,463)
Employee benefit payable	241	-	-	241
Allowance for uncollectible accounts	485	66	-	551
Unrealized of Inventory scrap	42	(42)	-	-
Provisions for sales returns and allowances	1,275	(1,275)	-	-
Compensation revenue	16,527	(16,527)	-	-
Defined benefit liability(asset)-non-current	(809)	-	828	19
Deferred tax income/ (expense)		$(17,778)	$828	
Net deferred tax assets/(liabilities)	$(50,702)			$(67,652)
Reflected in balance sheet as follows:				
Deferred tax assets	$18,570			$811
Deferred tax liabilities	$(69,272)			$(68,463)

Unrecognized deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT$0 thousand and NT$20,829 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at 31 December 2018 and 2017, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregate to NT$6,824 thousand and NT$0 thousand, respectively.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Tax assessment

As of December 31, 2018, the assessment from tax authority for the Company is as follows.

	Status
The Company	Assessed and approved up to 2016

(28) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the year ended December 31,	
	2018	2017
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$1,295,394	$1,351,941
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	135,363	134,743
Basic earnings per share (in NT$)	$9.57	$10.03

	For the year ended December 31,	
	2018	2017
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$1,295,394	$1,351,941
Interest expense from convertible bonds (in thousand NT$)	1,286	3,271
Gain or loss on valuation of redemption	63	18
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$1,296,743	$1,355,230

Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	135,363	134,743
Effect of dilution:		
Employee bonus－stock (in thousand shares)	735	752
Convertible bonds (in thousands shares)	432	1,044
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	136,530	136,539
Diluted earnings per share (in NT$)	$9.50	$9.93

There were no other transaction involving ordinary shares or potential ordinary shares between the balance sheet date and the completion date of the Company's parent company only financial statements.

7. Related party transactions

(1) Name of related party and the relation

Name of related party	Relation with the Company
Pro-partner Inc.(Pro-partner)	The Company's subsidiary
Shanghai Grape King Enterprise Co., Ltd. (Shanghai Grape King)	The Company's subsidiary
Rivershine Ltd. (Rivershine)	The Company's subsidiary
Dongpu Biotech Corporation	The Company's subsidiary
Laifu Limited Company (Laifu)	Related party in substance
Pu Hsing Enterprise Co., Ltd. (Pu Hsing)	A director of Pro-partner
Taipei City Pro-partner Technology and Human Development Foundation (Pro-partner Foundation)	Pro-partner is its sole founder
Chang-Yeh Tseng	A director of the Company

(2) Significant transactions with related parties

a. Sales

	For the year ended December 31,	
	2018	2017
Pro-partner	$1,432,941	$1,417,487
Rivershine	121,612	117,758

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Other subsidiaries	22,907	12,199
Other related parties	-	(338)
Total	$1,577,460	$1,547,106

The aforementioned parties are the exclusive distributors for beverage and health food products of the Company, and subsidiaries. The sales price for the other related parties was determined based on mutual consent. For the collection of the relationship, the collection is 30-120 days, and the general customers collection conditions are 30-135 days.

b. Accounts receivables to related parties

	As of December 31,	
	2018	2017
Pro-partner	$165,772	$128,084
Rivershine	59,931	51,914
Other subsidiaries	7,631	186
Total	$233,334	$180,184

c. Other receivables to related parties (Board compensation included)

	As of December 31,	
	2018	2017
Pro-partner	$69,803	$65,839
Other subsidiaries	43	18
Total	$69,846	$65,857

d. Other payables to related parties

	As of December 31,	
	2018	2017
Rivershine	$72	$-

e. Guarantee deposit received (Non-current liabilities)

	As of December 31,	
	2018	2017
Pro-partner	$472	$-

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

f. General and administrative expenses – rental

	As of December 31,	
	2018	2017
Other related parties	$480	$1,440

The rental paid to the above related parties and normal rental prices were similar and comparable. The term of collection was either in a monthly installment or in full at the beginning of each year.

g. Revenue from rental assets

	As of December 31,	
	2018	2017
Pro-partner	$3,422	$3,415
Other subsidiaries	381	343
Other related parties	15	23
Total	$3,818	$3,781

The rental from the above related parties and normal rental prices were similar and comparable. The term of collection was either in a monthly installment or in full at the beginning of each year.

h. Other income (Board compensation included)

	For the year ended December 31,	
	2018	2017
Pro-partner	$69,012	$65,817

i. Key management personnel compensation

	For the year ended December 31,	
	2018	2017
Short-term employee benefits	$63,907	$57,307
Post-employment benefits	214	153
Total	$64,121	$57,460

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

8. Assets pledged as collaterals

The following assets are pledged as collaterals.

Assets pledged	As of December 31, 2018	As of December 31, 2017	Purpose of pledge
Property, plant and equipment-land	$340,422	$166,382	For long-term and short-term secured loans.
Property, plant and equipment-building	281,587	204,031	For long-term and short-term secured loans.
Debt investments without active market-pledged time deposits	Note	2,600	For leasing land from Science-based Park and Chinese Petroleum Corporation natural gas.
Financial assets measured at amortized cost-pledged time deposits	9,600	Note	For Chinese Petroleum Corporation natural gas, leasing land and operating center at Science-based Park.
Total	$631,609	$373,013	

Note: The Company adopted IFRS 9 since 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

9. Commitments and contingencies

(1) The Company's guarantee notes issued to banks for credit lines amounted to NT$350,000 thousand.

(2) Amount available under letters of credit as of December 31, 2018 are NT$11,053 thousand.

(3) A Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of December 31, 2018 were as follows.

Nature of Contract	Contract Amount	Amount Paid	Outstanding Balance
Plant and Machinery	$1,055,000	$590,905	$464,095

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Financial instruments

(1) Categories of financial instruments

Financial assets	As of December 31,	
	2018	2017
Financial asset at fair value through P/L:		
Designated financial asset at fair value through P/L	$-	$69
Subtotal	-	69
Financial assets at fair value through OCI	10,892	Note1
Available-for-sale financial assets (Note 2)	Note1	28,028
Financial assets measured at amortized cost (Note 3)	622,816	Note1
Loans and receivables (Note 4)	Note1	600,878
Total	$633,708	$628,975

Financial liabilities	As of December 31,	
	2018	2017
Financial liabilities at amortized cost:		
Short-term loans	$800,000	$300,000
Notes payable	-	11
Accounts payable	127,192	104,193
Other payables	364,702	427,100
Other payables – related parties	72	-
Bonds payable (current portion included)	-	171,207
Total	$1,291,966	$1,002,511

Note:

1) The Company adopted IFRS 9 since 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

2) Balances as at 31 December 2017 including financial assets measured at cost.

3) Including cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivables (related parties included) and other receivables (related parties included).

4) Including cash and cash equivalents, notes receivable, accounts receivables (related parties included), bond investments with no active market and other receivables (related parties included).

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The Company has no significant foreign currency monetary items as of December 31, 2018 and 2017.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments with variable interest rates. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit before tax for the years ended December 31, 2018 and 2017 to decrease/increase by NT$511 thousand and increase/decrease by NT$18 thousand, respectively.

Equity price risk

The fair value of the Company's unlisted equity securities and monetary fund are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's unlisted equity securities, including fair value through other comprehensive income (2017: held for trading.)

The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 5% in the net asset value of the monetary fund held for trading could increase/decrease the Company's profit before tax for the years ended December 31, 2018 and 2017 to increase/decrease by NT$0 thousand and NT$3 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that the counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2018, and 2017, receivables from the top ten customers were accounted for 89.27% and 91.71% of the Company's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and highly liquid equity investments. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Non-derivative financial instruments

	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Total
As of December 31, 2018					
Short-term loans	$800,379	$-	$-	$-	$800,379
Accounts payable	127,192	-	-	-	127,192
Other payables (related parties included)	211,551	153,223	-	-	364,774
As of December 31, 2017					
Short-term loans	$300,194	$-	$-	$-	$300,194
Notes payable	11	-	-	-	11
Accounts payable	104,193	-	-	-	104,193
Other payables	267,763	159,337	-	-	427,100
Bonds payable (current portion included)	-	173,394	-	-	173,394

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities as at 31 December 2018:

	Short-term borrowings	Guarantee deposit received	Bonds payable	Total liabilities from financing activities
As at 1 January, 2018	$300,000	$13,409	$171,207	$484,616
Cash flows	500,000	(2,007)	(3,325)	494,668
Non-cash changes				
Bonds conversion	-		(167,882)	(167,882)
As at 31 December, 2018	$800,000	$11,402	$-	$811,402

Reconciliation of liabilities as at 31 December 2017: Not applicable

(7) Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

a. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

b. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

c. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

d. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

e. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

	Carrying value		Fair value	
Financial liabilities:	December 31,2018	December 31,2017	December 31,2018	December 31,2017
Bonds payable				
(Current portion)	$-	171,207	$-	171,876

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Company.

(8) Derivative financial instruments

The Company's derivative financial instruments include embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2018 and 2017 is as follows:

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6(18) for further information on this transaction.

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Stocks	$-	$-	$10,892	$10,892

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Embedded Derivative	$-	$-	$69	$69

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets		
	At fair value through P/L	At fair value through OCI	
	Derivatives	Stock	Total
Beginning balances as of January 1, 2018	$69	$28,028	$28,097
Retroactively recognized in other rights at the beginning of the period	-	(9,641)	(9,641)
Bonds conversion	(6)	-	(6)
Total gains and losses recognized for the year ended December 31, 2018:			
Amount recognized in profit or loss (presented in "other profit or loss")	(63)	-	(63)
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income")	-	(7,495)	(7,495)
Ending balances as of December 31, 2018	$-	$10,892	$10,892

	Assets		
	At fair value through PL	At fair value through OCI	
	Derivatives	Stocks	Total
Beginning balances as of January 1, 2017	$87	$-	$87
Total gains and losses recognized for the year ended December 31, 2017:			
Amount recognized in profit or loss (presented in "other profit or loss")	(18)	-	(18)
Ending balances as of December 31, 2017	$69	$-	$69

Total gains and losses recognized in profit or loss for the years ended December 31, 2018 and 2017 in the table above contain gains and losses related to assets on hand as of December 31, 2018 and 2017 in the amount of NT$(63) thousand and NT$(18) thousand.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	discount for lack of marketability	30.00%	The higher the discount for lack of marketability, the lower the fair value of the stocks	1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Company's equity by NT$156 thousand

As of December 31, 2017

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through profit or loss					
Embedded derivatives	Option pricing model	Volatility	29.31%	The higher the volatility, the higher the fair value of the embedded derivatives.	1% increase (decrease) in the volatility would result in decrease in the Company's profit or loss by NT$17 /34 thousand

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(C) Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(13))	$-	$-	$307,546	$307,546
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (please refer to Note 6(18))	$-	$-	$-	$-

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (please refer to Note 6(13))	$-	$-	$301,132	$301,132
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payable (please refer to Note 6(18))	$-	$-	$171,876	$171,876

(10) Significant assets and liabilities denominated in foreign currencies

The Company has no balance of significant foreign currency financial assets and liabilities as at December 31, 2018 and 2017.

(11) Capital management

The objective of Company's capital management is maintaining a good capital structure and to ensure the ability to operate continuously, in order to provide returns to stockholders and the interests of other related parties, while maintaining the primal capital structure to reduce costs of capital. The Company's capital structure management strategies were based on the industry size of the Company and its subsidiaries, industry's future growth, product roadmaps, and changes in the external environment and other factors. The Company plans the required capacity and the necessary plant and equipment to achieve this capacity and the corresponding capital expenditure according to those strategies. Then the Company calculates the required working capital and cash, based on industry characteristics, and estimate the possible product margins, operating margin and cash flow. In order to determine the most appropriate of the Company's capital structure, taking into consideration cyclical fluctuations in industrial, product life cycle and other risk factors.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2018, and 2017, the debt ratios of the Company are listed below:

	As at December 31,	
	2018	2017
Total liabilities	$1,444,572	$1,160,863
Total capital	$7,174,867	$6,356,109
Debt ratio	20.13%	18.26%

13. Other disclosure

(1) Information at significant transactions

a. Financing provided to others for the year ended December 31, 2018: None.

b. Endorsement/Guarantee provided to others for the year ended December 31, 2018: Please refer to attachment 1.

c. Securities held as of December 31, 2018 (excluding subsidiaries, associates and joint venture): Please refer to attachment 2.

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.

f. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2018: Please refer to attachment 3.

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2018: Please refer to attachment 5.

i. Financial instruments and derivative transactions: None.

(2) Information on investees

A. Names, locations and related information of investees as of December 31, 2018 (excluding the investment in Mainland China): Please refer to attachment 4.

B. Information at significant transactions

a. Financing provided to others for the year ended December 31, 2018: None

b. Endorsement/Guarantee provided to others for the year ended December 31, 2018: None.

c. Securities held as of December 31, 2018 (excluding subsidiaries, associates and joint venture): None

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.

f. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2018: Please refer to attachment 3.

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2018: None.

i. Financial instruments and derivative transactions: None.

(3) Information on investments in mainland China：

Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), book value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China：

Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated Investment Outflows from Taiwan as of January 1, 2018	Investment Flows		Accumulated Investment Outflows from Taiwan as of December 31, 2018	Net Income (Loss) of Investee Company	Percentage of Direct or Indirect Ownership	Investment Profit(Loss) Recognized (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Shanghai Grape King Enterprise Co., Ltd.	Manufacturing and selling capsule, tablet, related products and services.	US$27,900 thousand	(Note1(2)) (Note 3)	$847,672 (USD 27,350 thousand)	$-	$-	$847,672 (USD 27,350 thousand)	$198,012 (Note2 (2) B)	100%	$198,484 (Note 2(2) B)	$763,491	$-
Shanghai Yusong Co., Ltd.	Stock management and related services of the thermostatic fresh freezing warehouse.	US$4,890 thousand	(Note 1(2)) (Note 4)	$26,794 (USD 878 thousand)	$-	$-	$26,794 (USD 878 thousand)	$- (Note 2(3))	18.77%	$- (Note 2(3))	$10,852 (Note 2(3))	$-

English Translation of Parent Company Only Financial Statements and Footnotes Originally Issued in Chinese

Grape King Bio Ltd.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Shanghai Rivershine Ltd.	Food distribution (except grain), food packaging materials, cosmetics wholesale, import and export, commission agents (except auction), related products and services.	US$150 thousand	(Note 1(2)) (Note 5)	$4,060 (USD 150 thousand)	$-	$-	$4,060 (USD 150 thousand)	$294 (Note 2 (2) B)	100%	$294 (Note 2 (2) B)	$4,615	$-
Dongpu Biotech Corporation	Biotechnology R&D and transfer; Sales: biological products, special foods (health foods), food materials, food packaging materials, cosmetics, daily necessities; commission agents (excluding auctions); import and export of goods.	RMB5,000 thousand	(Note 1(1)) (Note 6)	$-	$23,200 (RMB 5,000 thousand)	$-	$23,200 (RMB 5,000 thousand)	$7,610 (Note 2 (2) B)	100%	$7,591 (Note 2 (2) B)	$30,138	$-

Accumulated investment in Mainland China as at December 31, 2018	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
$901,726	$901,726	$4,159,962

Note 1: The methods for engaging in investment in Mainland China include the following:

(1) Direct investment in Mainland China.

(2) Indirectly investment in Mainland China through companies registered in a third region. (Please specify the name of the company in third region).

(3) Other methods.

Note 2: The investment income (loss) recognized in current period:

(1)Please specify no investment income (loss) has been recognized due to the investment is still during development stage.

(2)The investment income (loss) were determined based on the following basis:

A.The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.

B.The financial statements certified by the CPA of the parent company in Taiwan.

C.Others.

(3)Recorded as financial assets at fair value through other comprehensive income.

Note 3: The Company invested in Shanghai Grape King Enterprise Co., Ltd. through subsidiary GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI).

Note 4: The Company invested in Shanghai Yusong Co., Ltd. through FU-Sheng International Inc. (SAMOA).

Note 5: The Company indirectly invested in Shanghai Rivershine Ltd. through its subsidiary, GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI).

Note 6: The Company directly invested in Dongpu Biotech Corporation.

14. Segment information

The Company has provided the operating segments disclosure in the consolidated financial statements.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Grape King Bio Ltd.

Endorsement/Guarantee Provided to Others

For the year ended December 31, 2018

ATTACHMENT 1

(Amounts Expressed in Thousands of New Taiwan Dollars)

Endorsements or guarantees provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party(Note3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed(Note3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note1)	Name	Company Name	Relationship (Note2)										
0	Grape King Bio Ltd.	Shanghai Grape King Enterprise Co., Ltd.	2	$2,389,954	$93,930	$-	$-	$-	-%	$2,549,284	Y	N	Y

Note1：No.0 is for the parent company. Subsidiaries are numbered from Arabic numerals 1.

Note2：The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

1.The company with business contacts.

2.The company directly and indirectly holds more than 50% of the shares with voting rights.

3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.

4.The company directly and indirectly holds more than 90% of the shares with voting rights.

5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.

6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.

7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note3：According to the Company's "Endorsement Procedures", the total amount of the guarantees endorsed by the Company is limited to 48% of the net value of the Company's most recent financial statements.

The guarantee limit for endorsement of a single enterprise is limited to 45% of the net value of the most recent financial statements.

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Grape King Bio Ltd.

Securities held as of December 31, 2018 (excluding investments in subsidiaries, associates and joint venture)

ATTACHMENT2

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Held Name	Marketable Securities Type and Name		Relationship with the Company	Financial Statement Account	As of December 31, 2018				Note
					Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Grape King Bio Ltd.	Stock	FU-Sheng International Inc. (SAMOA)	-	Financial assets at fair value through other comprehensive income, noncurrent	917,700	$28,008	18.77%	10,852	
		Hsin Tung Yang Co., Ltd.	-	Financial assets at fair value through other comprehensive income, noncurrent	2,000	20	-	40	
		Total		Financial assets at fair value through other comprehensive income,valuation adjustments		(17,136)		-	
						$10,892		$10,892	

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Grape King Bio Ltd.

Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended December 31, 2018

ATTACHMENT3

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction(Note1)		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	Percentage of total Purchases (Sale)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of total receivables (payable)	
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	Sales	$1,432,941	78.65%	Net 30 days after monthly closing	By contract	-	$165,772	62.36%	
Grape King Bio Ltd.	Rivershine Ltd.	Subsidiary	Sales	$121,612	6.68%	Net 120 days after monthly closing	By contract	-	$59,931	22.54%	
Pro-partner Inc.	Grape King Bio Ltd	Parent Company	Purchases	$1,432,941	100.00%	Net 30 days after monthly closing	By contract	-	$(165,772)	102.34%	
Rivershine Ltd.	Grape King Bio Ltd	Parent Company	Purchases	$121,612	100.00%	Net 120 days after monthly closing	By contract	-	$(59,931)	100.00%	

Note 1: If the terms of transactions with the related parties are different from normal terms, the difference and the reason for the difference should be declared in the column of unit price or credit period.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Grape King Bio Ltd.

Names, locations and related information of investees as of December 31, 2018 (excluding the investment in Mainland China)

ATTACHMENT 4

(Amounts in Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Business	Original Investment Amount		Balance as of December 31,2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Book Value			
Grape King Bio Ltd.	GRAPE KING INTERNATIONAL INVESTMENT INC. (BVI)	BVI	Investment activities	$1,198,018	$1,198,018	24,890,000	100.00%	$815,416	$199,996	$200,468 (Note1)	Subsidiary
	Pro-partner Inc.	Taoyuan City, Taiwan	Import and selling of health food, drink, cosmetics, sports apparatus, cleaning the articles, etc.	15,000	15,000	10,560,000	60.00%	1,784,621	1,486,601	893,337 (Note1)	Subsidiary
	Rivershine Ltd.	Taoyuan City, Taiwan	Import and selling of health food, drink, daily commodies, appliances, etc.	30,000	30,000	3,000,000	100.00%	38,237	9,827	9,827	Subsidiary
			Total					$2,638,274		$1,103,632	

Note 1: The effect from the unrealized profit of the downstream transactions on income tax, which is NT$1,791 thousand has been adjusted.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

Grape King Bio Ltd.

Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of December 31, 2018

ATTACHMENT 5

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance		Turnover Rate	Overdue		Amounts Received in Subsequent Period	Recognized as Allowance for Bad Debts
						Amount	Action Taken		
Grape King Bio Ltd.	Pro-partner Inc.	Subsidiary	Accounts Receivable -Related Parties	$165,772	9.75	$-	-	$165,772	$-

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