TCI CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of TCI Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of TCI Co., Ltd. and subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Existence and occurrence of top ten customers

Description

The Group's sales revenue arise mainly from manufacturing and sales of health foods and cosmetics. Customers are mostly direct marketing companies in Europe and Asia and cosmetic companies. The sales revenue for the year of 2018 is significantly higher than for 2017.

With the expansion of direct marketing companies in Europe and Asia, the sales revenue from top ten customers has increased significantly and became a significant portion of operating income to the consolidated financial statements. Because of the rapid development in the internet sales market, more time and resources were required in performing the audit procedures. Thus, we consider the existence and occurrence of top ten customers as a key audit matter.

Please refer to Note 4(28) for accounting policies on revenue recognition and Note 6(20) for details of sales revenue.

How our audit addressed the matter

Our audit procedures in respect of the above key audit matter included:

- Understanding and testing the internal control procedures of the top ten customers and testing the effective of internal control related to sales revenue.
- Selecting samples from sales transactions of the top ten customers and comparing against orders and delivery bill to confirm whether the sales transactions did occur.
- Examining sales returns and discounts from the top ten customers after the balance sheet date to confirm the existence of sales revenue.

Allowance for inventory valuation losses

Description

The Group is primarily engaged in developing, manufacturing and sales of health foods and cosmetics. As these kinds of products are substituted easily and have a highly competitive nature in the market, there is higher risk of incurring inventory valuation losses or obsolescence. The Group recognises inventories at the lower of cost and net realisable value. For those inventory with ages over a certain period and individually recognised as obsolete inventories, the net realisable value is calculated based on the inventory closeout and historical data of discounts.

Considering that the market demand has changed, the Group reinvents its products quickly. As the determination of the net realisable value used in the valuation of obsolete inventories involves subjective judgement and uncertainty, and considering the allowance for inventory valuation losses is material to the financial statements, we consider the allowance for inventory valuation losses a key audit matter.

Please refer to Note 4(12) for accounting policy on inventory valuation and Note 6(4) for details of allowance for inventory valuation losses.

How our audit addressed the matter

Our audit procedures in respect of the above key audit matter included:

- Understanding the operations and industry of the Group to assess the reasonableness of policies and procedures on allowance for inventory valuation losses, including inventory classification, the degree of inventory closeout and historical data source of price discounts, and the reasonableness of the guidelines for obsolete and slow-moving inventory.
- Understanding the inventory management process, participating and examining annual physical counts to assess the effectiveness of management's classification and controls over obsolete and slow-moving inventory, and verifying whether it was in agreement with obsolete inventory lists.
- Evaluating the reasonableness of the logic of inventory aging statements used in valuation to confirm whether the information on such statements is in agreement with its policies.
- Interviewing management and reviewing sales after balance sheet date to assess the reasonableness of allowance for inventory valuation losses.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of TCI Co., Ltd. as at and for the years ended December 31, 2018 and 2017.

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 “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group’s financial reporting process.

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 ROC GAAS 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 ROC GAAS, 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 Group's internal control.
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 Group's ability to continue as a going concern. 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 the consolidated financial statements of the current period 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.

Hsu, Ming-Chuan　　Wang, Kuo-Hua

For and on behalf of PricewaterhouseCoopers, Taiwan

February 20, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 4,417,545	43	$ 1,399,355	29
1110	Financial assets at fair value through profit or loss - current		-	-	2	-
1150	Notes receivable, net	6(3)	24,916	-	4,753	-
1170	Accounts receivable, net	6(3)	520,049	5	430,779	9
1180	Accounts receivable - related parties		-	-	6,603	-
1200	Other receivables		38,282	-	17,576	-
1210	Other receivables - related parties		-	-	1,162	-
130X	Inventories	6(4)	1,308,995	13	459,261	9
1410	Prepayments		225,832	2	75,052	2
1470	Other current assets	6(1)	692,016	7	436,491	9
11XX	**Total current assets**		7,227,635	70	2,831,034	58
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	25,848	-	-	-
1523	Available-for-sale financial assets - non-current		-	-	4,253	-
1600	Property, plant and equipment	6(5)	1,925,376	19	1,682,933	35
1780	Intangible assets	6(6)	25,266	-	25,667	1
1840	Deferred income tax assets		51,187	1	12,109	-
1900	Other non-current assets	6(7)	1,031,428	10	284,687	6
15XX	**Total non-current assets**		3,059,105	30	2,009,649	42
1XXX	**Total assets**		$ 10,286,740	100	$ 4,840,683	100

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TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(8)	$ 12,000	-	$ -	-
2120	Financial liabilities at fair value through profit or loss - current	6(9)	85	-	-	-
2130	Current contract liabilities	6(20)	1,229,641	12	-	-
2150	Notes payable		253,201	2	2,682	-
2170	Accounts payable		1,335,590	13	521,173	11
2180	Accounts payable - related parties		-	-	1,402	-
2200	Other payables	6(10)	823,154	8	378,168	8
2220	Other payables - related parties		-	-	345	-
2230	Current income tax liabilities		294,096	3	120,063	2
2320	Long-term liabilities, current portion	6(12)(13)	-	-	5,057	-
2399	Other current liabilities, others	6(11)	60,863	1	243,661	5
21XX	**Total current liabilities**		4,008,630	39	1,272,551	26
	Non-current liabilities					
2530	Corporate bonds payable	6(12)	494,446	5	-	-
2540	Long-term borrowings	6(13)	-	-	137,938	3
2570	Deferred income tax liabilities		2,940	-	-	-
2600	Other non-current liabilities		11,682	-	11,922	-
25XX	**Total non-current liabilities**		509,068	5	149,860	3
2XXX	**Total liabilities**		4,517,698	44	1,422,411	29
	Equity attributable to owners of parent					
	Share capital	6(16)				
3110	Share capital - common stock		1,022,321	10	870,117	18
3140	Advance receipts for share capital		3,755	-	-	-
	Capital surplus	6(17)				
3200	Capital surplus		2,256,871	22	1,453,414	30
	Retained earnings	6(18)				
3310	Legal reserve		216,913	2	145,690	3
3320	Special reserve		120,366	1	98,101	2
3350	Unappropriated retained earnings		2,276,431	22	953,899	20
	Other equity interest	6(19)				
3400	Other equity interest		(172,771)	(1)	(135,143)	(3)
31XX	**Equity attributable to owners of the parent**		5,723,886	56	3,386,078	70
36XX	**Non-controlling interest**		45,156	-	32,194	1
3XXX	**Total equity**		5,769,042	56	3,418,272	71
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant subsequent events	11				
3X2X	**Total liabilities and equity**		$ 10,286,740	100	$ 4,840,683	100

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

TCI CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Years ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(20)	$ 8,098,414	100	$ 4,072,168	100
5000	**Operating costs**	6(4)(14)	(4,581,462)	(56)	(2,417,769)	(59)
5900	**Net operating margin**		3,516,952	44	1,654,399	41
	Operating expenses	6(14)				
6100	Selling expenses		(508,824)	(6)	(262,843)	(6)
6200	General and administrative expenses		(493,294)	(6)	(329,830)	(8)
6300	Research and development expenses		(438,046)	(5)	(182,276)	(5)
6450	Impairment loss determined in accordance with IFRS 9		(39,865)	(1)	-	-
6000	**Total operating expenses**		(1,480,029)	(18)	(774,949)	(19)
6900	**Operating profit**		2,036,923	26	879,450	22
	Non-operating income and expenses					
7010	Other income	6(21)	137,458	2	31,115	1
7020	Other gains and losses	6(22)	36,919	-	(17,445)	(1)
7050	Finance costs	6(23)	(4,763)	-	(2,629)	-
7000	**Total non-operating income and expenses**		169,614	2	11,041	-
7900	**Profit before income tax**		2,206,537	28	890,491	22
7950	Income tax expense		(399,158)	(5)	(169,667)	(4)
8200	**Profit for the year**		$ 1,807,379	23	$ 720,824	18
	Components of other comprehensive income that will not be reclassified to profit or loss					
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(2)(19)	($ 631)	-	$ -	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(19)	(64,027)	(1)	(12,944)	(1)
8362	Unrealised loss on valuation of available-for-sale financial assets	6(19)	-	-	(9,607)	-
8300	**Total other comprehensive loss for the year**		($ 64,658)	(1)	($ 22,551)	(1)
8500	**Total comprehensive income for the year**		$ 1,742,721	22	$ 698,273	17
	Profit attributable to:					
8610	Owners of the parent		$ 1,794,899	23	$ 712,226	18
8620	Non-controlling interest		12,480	-	8,598	-
			$ 1,807,379	23	$ 720,824	18
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 1,729,759	22	$ 689,962	17
8720	Non-controlling interest		12,962	-	8,311	-
			$ 1,742,721	22	$ 698,273	17
	Earnings per share (In dollars)					
9750	**Basic earnings per share**		$ 17.79		$ 7.15	
9850	**Diluted earnings per share**		$ 17.32		$ 7.07	

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

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent												
		Capital			Retained Earnings			Other equity interest						
	Notes	Common stock	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Other equity - others	Total	Non-controlling interest	Total equity
2017														
Balance at January 1, 2017		$ 754,470	$ 1,743	$ 1,400,258	$ 94,065	$ 3,859	$ 652,215	($ 79,604)	$ -	($ 14,768)	($ 50,392)	$ 2,761,846	$ 19,851	$ 2,781,697
Profit for the year		-	-	-	-	-	712,226	-	-	-	-	712,226	8,598	720,824
Other comprehensive loss for the year		-	-	-	-	-	-	(12,657)	-	(9,607)	-	(22,264)	(287)	(22,551)
Total comprehensive income (loss)		-	-	-	-	-	712,226	(12,657)	-	(9,607)	-	689,962	8,311	698,273
Appropriations of 2016 earnings														
Legal reserve		-	-	-	51,625	-	(51,625)	-	-	-	-	-	-	-
Special reserve		-	-	-	-	94,242	(94,242)	-	-	-	-	-	-	-
Stock dividends		113,432	-	-	-	-	(113,432)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(151,243)	-	-	-	-	(151,243)	-	(151,243)
Exercise of employee stock purchase plans	6(15)(16)	2,190	(1,730)	1,196	-	-	-	-	-	-	-	1,656	-	1,656
Conversion of convertible bonds into shares	6(12)(16)	25	(13)	84	-	-	-	-	-	-	-	96	-	96
Changes in ownership interests in subsidiaries		-	-	1,434	-	-	-	-	-	-	-	1,434	(1,434)	-
Changes in equity of associates and joint ventures accounted for using equity method	6(15)	-	-	734	-	-	-	-	-	-	-	734	466	1,200
Share-based payments	6(15)(19)	-	-	49,708	-	-	-	-	-	-	31,885	81,593	-	81,593
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	5,000	5,000
Balance at December 31, 2017		$ 870,117	$ -	$ 1,453,414	$ 145,690	$ 98,101	$ 953,899	($ 92,261)	$ -	($ 24,375)	($ 18,507)	$ 3,386,078	$ 32,194	$ 3,418,272

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TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent												
		Capital			Retained Earnings			Other equity interest						
	Notes	Common stock	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Other equity - others	Total	Non-controlling interest	Total equity
2018														
Balance at January 1, 2018		$ 870,117	$ -	$ 1,453,414	$145,690	$ 98,101	$ 953,899	($ 92,261)	$ -	($ 24,375)	($ 18,507)	$ 3,386,078	$ 32,194	$ 3,418,272
Effect of retrospective application		-	-	-	-	-	-	-	(24,375)	24,375	-	-	-	-
Balance at 1 January after adjustments		870,117	-	1,453,414	145,690	98,101	953,899	(92,261)	(24,375)	-	(18,507)	3,386,078	32,194	3,418,272
Profit for the year		-	-	-	-	-	1,794,899	-	-	-	-	1,794,899	12,480	1,807,379
Other comprehensive income (loss) for the year	6(19)	-	-	-	-	-	-	(64,509)	(631)	-	-	(65,140)	482	(64,658)
Total comprehensive income (loss)		-	-	-	-	-	1,794,899	(64,509)	(631)	-	-	1,729,759	12,962	1,742,721
Appropriations of 2017 earnings														
Legal reserve		-	-	-	71,223	-	(71,223)	-	-	-	-	-	-	-
Special reserve		-	-	-	-	22,265	(22,265)	-	-	-	-	-	-	-
Stock dividends		130,518	-	-	-	-	(130,518)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(234,931)	-	-	-	-	(234,931)	-	(234,931)
Exercise of employee stock purchase plans	6(15)(16)	5,260	420	38,036	-	-	-	-	-	-	-	43,716	-	43,716
Issuance of convertible bonds	6(12)	-	-	24,360	-	-	-	-	-	-	-	24,360	-	24,360
Conversion of convertible bonds into shares	6(12)(16)	16,426	3,335	668,893	-	-	-	-	-	-	-	688,654	-	688,654
Share-based payments	6(15)(19)	-	-	72,168	-	-	-	-	-	-	14,082	86,250	-	86,250
Disposal of investment in equity instrument at fair value through other comprehensive income	6(19)	-	-	-	-	-	(13,430)	-	13,430	-	-	-	-	-
Balance at December 31, 2018		$ 1,022,321	$ 3,755	$ 2,256,871	$216,913	$120,366	$ 2,276,431	($ 156,770)	($ 11,576)	$ -	($ 4,425)	$ 5,723,886	$ 45,156	$ 5,769,042

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

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 2,206,537	$ 890,491
Adjustments			
Adjustments to reconcile profit (loss)			
Impairment loss determined in accordance with IFRS 9	6(3)	39,865	1,172
Gains on doubtful debt recoveries		-	(318)
Net loss on financial assets or liabilities at fair value through profit or loss	6(9)(22)	386	34
Gain on disposal of property, plant and equipment	6(5)(22)	(41,982)	(848)
Impairment loss of intangible assets	6(6)(22)	6,440	-
Depreciation	6(5)	160,828	107,122
Amortisation	6(6)	13,699	7,645
Long-term prepayment charged to expenses	6(7)	714	706
Interest income	6(21)	(26,751)	(14,158)
Dividend income	6(21)	-	(1)
Interest expense	6(23)	4,763	2,629
Compensation cost arising from employee stock options	6(15)	86,250	82,793
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(19,767)	(3,003)
Accounts receivable		(116,837)	(244,747)
Accounts receivable - related parties		6,603	(6,603)
Other receivables		(20,254)	1,195
Other receivables - related parties		1,162	(1,162)
Inventories		(845,864)	(34,451)
Prepayments		(150,780)	(14,840)
Other current assets		(40,261)	(457)
Changes in operating liabilities			
Current contract liabilities		1,229,641	-
Notes payable		250,519	(5,782)
Accounts payable		802,722	171,062
Accounts payable - related parties		(1,402)	1,402
Other payables		384,236	124,888
Other payables - related parties		(345)	345
Other current liabilities		(195,932)	66,333
Cash inflow generated from operations		3,734,190	1,131,447
Interest received		26,509	14,493
Dividends received		-	1
Interest paid		(1,598)	(2,571)
Income tax paid		(249,211)	(127,787)
Net cash flows from operating activities		3,509,890	1,015,583

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TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of non-current financial assets at fair value through other comprehensive income		($ 24,280)	$ -
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	6(2)	2,054	-
Acquisition of property, plant and equipment		(11,861)	(27,656)
Proceeds from disposal of property, plant and equipment		107,563	876
Increase in other current assets		(213,926)	(166,925)
Increase in refundable deposits	6(7)	(12,999)	(6,655)
Acquisition of intangible assets	6(6)	(11,539)	(6,819)
Acquisition of subsidiary company		7,459	-
Decrease (increase) in other non-current assets	6(7)	(6,795)	1,596
Increase in prepayments for purchase of equipment		(1,161,263)	(544,146)
Net cash flows used in investing activities		(1,325,587)	(749,729)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of short-term borrowings		(20,000)	(98,952)
Repayment of long-term borrowings		(139,044)	-
Decrease in guarantee deposits		(240)	(137)
Employee stock options		43,716	1,656
Proceeds from issuance of convertible bonds, net	6(12)	1,200,000	-
Cash dividends paid		(234,931)	(151,243)
Change in non-controlling interests		-	5,000
Net cash flows from (used in) financing activities		849,501	(243,676)
Effects due to changes in exchange rate		(15,614)	(5,031)
Net increase in cash and cash equivalents		3,018,190	17,147
Cash and cash equivalents at beginning of year	6(1)	1,399,355	1,382,208
Cash and cash equivalents at end of year	6(1)	$ 4,417,545	$ 1,399,355

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

TCI CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

TCI Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in manufacturing, wholesale and retail of health food and cosmetics.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 20, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

(d) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(4)B and C.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

Presentation of assets and liabilities in relation to contracts with customers

In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheet as follows:

Under IFRS 15, liabilities in relation to contracts are recognised as contract liabilities, but were previously presented as advance sales receipts (listed as other current liabilities) in the balance sheet. As of January 1, 2018, the balance amounted to $226,275.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment:

A. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $131,657 and $100,907, respectively, and the land use right (listed as other non-current assets) will both be decreased by $30,750.

B. IFRIC 23, 'Uncertainty over income tax treatments'

This Interpretation clarifies when there is uncertainty over income tax treatments, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 , 'Income taxes' based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

C. Annual improvements to IFRSs 2015-2017 cycle

(a) Amendments to IAS 12, 'Income taxes'

The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends.

(b) Amendments to IAS 23, 'Borrowing costs'

The amendments clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'

The amendments clarify the definition of material that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the 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.

B. Amendments to IFRS 3, 'Definition of a business'

The amendments clarify the definition of a business that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together; narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs. Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. Also, add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

4. SUMMARY OF SIGNIFICANTACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets and liabilities at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

(c) Liabilities on cash-settled share-based payment arrangements measured at fair value.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income 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.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
TCI CO., LTD.	TCI FIRSTEK CORP.	Wholesale and retail of health foods and cosmetics	100	100	Note 1
TCI CO., LTD.	GENE & NEXT INC.	Research and develop biotechnology and genetic	61.19	61.19	Note 1
TCI CO., LTD.	Shanghai BioFunction Co., Ltd.	Producing health foods	64.26	61.85	Note 1
TCI CO., LTD.	TCI HK LIMITED	Trading health foods and cosmetics	100	100	Note 1
TCI FIRSTEK CORP.	Shanghai BioTrade Co., Ltd.	Wholesale of health foods, cosmetics and chemical production; cosmetics manufacturing	100	100	Note 2
GENE & NEXT INC.	GLUX HK LIMITED	Trading health foods and cosmetics	100	100	Note 2
Shanghai BioTrade Co., Ltd.	Shanghai BioScience Co., Ltd.	Wholesale of health foods, cosmetics and chemical production; cosmetics manufacturing	100	100	Note 3
Shanghai BioTrade Co., Ltd.	Shanghai BioCosme Co., Ltd.	Producing cosmetics	100	100	Note 3
Shanghai BioScience Co., Ltd.	Shanghai BioFunction Co., Ltd.	Producing health foods	35.74	38.15	Note 1
TCI CO., LTD.	TCI BIOTECH LLC	Trading health foods and cosmetics	100	100	Note 1 Note 4
TCI CO., LTD.	BioCosme Co., Ltd.	Trading health foods and cosmetics	100	-	Note 1 Note 5
GENE & NEXT INC.	TCI LIVING CO., LTD.	Trading health foods and cosmetics	100	-	Note 2 Note 6

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
TCI LIVING CO., LTD.	BIO DYNAMIC LABORATORIES INC.	Trading health foods and cosmetics	100	-	Note 3 Note 7
TCI LIVING CO., LTD.	SBI GROUP HK LIMITED	Trading health foods and cosmetics	100	-	Note 3 Note 7
TCI CO., LTD.	TCI JAPAN CO., LTD.	Trading health foods and cosmetics	100	-	Note 1 Note 8
TCI CO., LTD.	PT TCI BIOTEK INDO	Trading health foods and cosmetics	100	-	Note 1 Note 9

Note 1: The Group holds more than 50% of the equity shares of this company.

Note 2: Subsidiary company holds more than 50% equity shares of this company.

Note 3: Subsidiary company indirectly holds more than 50% of equity shares of this company.

Note 4: The Board of Directors during its meeting on August 7, 2017 resolved to invest and set up TCI BIOTECH LLC. TCI BIOTECH LLC was established on September 26, 2017.

Note 5: The Board of Directors during its meeting on May 2, 2018 resolved to invest and set up BioCosme Co., Ltd.. BioCosme Co., Ltd. was established on July 31, 2018.

Note 6: The Board of Directors of the Group's subsidiary, GENE & NEXT INC., during its meeting on May 24, 2018 resolved the share transfer transaction with SBI CO., LTD. with August 30, 2018 as the effective date. Also, SBI CO., LTD. is renamed to TCI LIVING CO., LTD. on September 17, 2018.

Note 7: BIO DYNAMIC LABORATORIES INC. and SBI GROUP HK LIMITED were 100% held by SBI CO., LTD. before the share transfer transaction.

Note 8: The Board of Directors during its meeting on October 8, 2018 resolved to set up TCI JAPAN CO., LTD., and was established on November 6, 2018. There was no capital injection as of December 31, 2018.

Note 9: There was no capital injection as of December 31, 2018.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions:

Cash and short-term deposits of $1,500,666 deposited in mainland China are under local foreign exchange control which restricts the capital to be remitted outside the borders (except for normal dividend distribution).

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars (NTD), which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settle within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settle within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6) Cash equivalents

Cash equivalents refer to 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. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group’s business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets’ contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3 ~ 50 years
Machinery and equipment	2 ~ 10 years
Office equipment	1 ~ 16 years
Others	1 ~ 10 years

(14) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(15) Intangible assets

A. Trademarks and royalties

Separately acquired trademarks and royalties are stated at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and royalties have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 3 to 10 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 10 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Financial liabilities at fair value through profit or loss

A. Financial liabilities are designated as financial liabilities at fair value through profit or loss at initial recognition. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(20) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

(a) The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

(b) The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

(c) The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

(d) Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

(e) When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(24) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees but employees must return the dividends received if they resign during the vesting period, and the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Group and the Group must refund their payments on the stocks, the Group recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) <u>Share capital</u>

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

A. The Group manufactures and sells health foods and cosmetics products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer who has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. The products are often sold with price break based on aggregate sales. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated price break. Accumulated experience is used to estimate and provide for the price break, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected price break payable to customers in relation to sales made until the end of the reporting period.

(29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such ssumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2018, the carrying amount of inventories was $1,308,995.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 2,583	$ 1,843
Checking accounts and demand deposits	2,509,360	1,284,658
Time deposits	2,554,042	547,368
	5,065,985	1,833,869
Less: shown as 'other current assets'	(648,440)	(434,514)
	$ 4,417,545	$ 1,399,355

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2018 and 2017, the Group recognised time deposits with maturity over 3 months of $648,440 and $434,514, respectively, and shown as "other current assets".

C. Details of the Group's cash and cash equivalents pledged to others are provided in Note 8.

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

Items	December 31, 2018
Non-current items:	
Equity instruments	
Listed stocks	$ 12,604
Unlisted stocks	24,820
	37,424
Valuation adjustment	(11,576)
	$ 25,848

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $25,848 as at December 31, 2018.

B. The Group, in order to expand the scale of operations, decided for TCI CO., LTD. to sell its shares of SBI CO., LTD. The Group's subsidiary, GENE & NEXT INC., acquired all shares of SBI CO., LTD. by cash on August 30, 2018. The fair value is $2,054 and the loss on disposal of $13,430 is accounted for in retained earnings.

C. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was $25,848.

D. The Group's financial assets at fair value through other comprehensive income were not pledge to others as collateral.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

F. Information on available-for-sale financial assets as of December 31, 2017 is provided in Note 12(4).

(3) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 24,916	$ 4,753
Less: Allowance for uncollectible accounts	-	-
	$ 24,916	$ 4,753
Accounts receivable	$ 576,601	$ 447,153
Less: Allowance for uncollectible accounts	(56,552)	(16,374)
	$ 520,049	$ 430,779

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2018	December 31, 2017
Not past due	$ 447,762	$ 407,466
Up to 30 days	62,127	23,101
31 to 90 days	19,627	3,786
Over 90 days	15,449	1,179
	$ 544,965	$ 435,532

The above ageing analysis was based on past due date.

B. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were $24,916 and $520,049, respectively.

C. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 666,907	($ 39,963)	$ 626,944
Work in progress	103,850	(178)	103,672
Finished goods	618,282	(39,903)	578,379
	$ 1,389,039	($ 80,044)	$ 1,308,995

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 309,799	($ 29,928)	$ 279,871
Work in progress	70,115	(182)	69,933
Finished goods	123,265	(13,808)	109,457
	$ 503,179	($ 43,918)	$ 459,261

A. The cost of inventories recognised as expense for the years ended December 31, 2018 and 2017, was $4,581,462 and $2,417,769, respectively, including the amounts of $36,126 and ($20,603), respectively, the Group wrote down from cost to net realisable value accounted for as cost of goods sold.

B. The Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold as these inventories which had been written down from cost to its net realisable value were subsequently sold in 2017.

(5) Property, plant and equipment

	Land	Buildings and structures	Machinery	Office equipment	Others	Total
At January 1, 2018						
Cost	$ 174,704	$ 1,097,638	$ 454,184	$ 110,907	$ 201,615	$ 2,039,048
Accumulated depreciation	-	(70,449)	(137,267)	(39,054)	(109,345)	(356,115)
	$ 174,704	$ 1,027,189	$ 316,917	$ 71,853	$ 92,270	$ 1,682,933
2018						
At January 1	$ 174,704	$ 1,027,189	$ 316,917	$ 71,853	$ 92,270	$ 1,682,933
Acquired from business combinations	-	-	54	224	632	910
Additions	-	3,656	12,430	7,374	40,225	63,685
Disposals	(15,403)	(46,804)	(1,081)	(472)	(1,821)	(65,581)
Reclassifications	-	75,852	224,275	85,295	25,043	410,465
Depreciation charge	-	(38,701)	(72,656)	(18,409)	(31,062)	(160,828)
Net exchange differences	-	(4,335)	(1,334)	292	(831)	(6,208)
At December 31	$ 159,301	$ 1,016,857	$ 478,605	$ 146,157	$ 124,456	$ 1,925,376
At December 31, 2018						
Cost	$ 159,301	$ 1,118,919	$ 686,909	$ 204,716	$ 261,442	$ 2,431,287
Accumulated depreciation	-	(102,062)	(208,304)	(58,559)	(136,986)	(505,911)
	$ 159,301	$ 1,016,857	$ 478,605	$ 146,157	$ 124,456	$ 1,925,376

	Land	Buildings and structures	Machinery	Office equipment	Others	Total
At January 1, 2017						
Cost	$ 174,704	$ 808,488	$ 309,370	$ 86,748	$ 159,072	$ 1,538,382
Accumulated depreciation	-	(46,354)	(94,127)	(28,900)	(83,873)	(253,254)
	$ 174,704	$ 762,134	$ 215,243	$ 57,848	$ 75,199	$ 1,285,128
2017						
At January 1	$ 174,704	$ 762,134	$ 215,243	$ 57,848	$ 75,199	$ 1,285,128
Additions	-	5,405	11,150	2,541	11,267	30,363
Disposals	-	-	-	(13)	(15)	(28)
Reclassifications	-	286,471	134,612	21,830	36,096	479,009
Depreciation charge	-	(24,070)	(43,144)	(10,287)	(29,621)	(107,122)
Net exchange differences	-	(2,751)	(944)	(66)	(656)	(4,417)
At December 31	$ 174,704	$ 1,027,189	$ 316,917	$ 71,853	$ 92,270	$ 1,682,933
At December 31, 2017						
Cost	$ 174,704	$ 1,097,638	$ 454,184	$ 110,907	$ 201,615	$ 2,039,048
Accumulated depreciation	-	(70,449)	(137,267)	(39,054)	(109,345)	(356,115)
	$ 174,704	$ 1,027,189	$ 316,917	$ 71,853	$ 92,270	$ 1,682,933

Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(6) Intangible assets

	Goodwill	Trademarks	Software	Royalty	Others	Total
At January 1, 2018						
Cost	$ 6,440	$ 238	$ 25,897	$ 6,422	$ -	$ 38,997
Accumulated amortisation	-	(238)	(9,054)	(4,038)	-	(13,330)
	$ 6,440	$ -	$ 16,843	$ 2,384	$ -	$ 25,667
2018						
At January 1	$ 6,440	$ -	$ 16,843	$ 2,384	$ -	$ 25,667
Acquired through business combinations	1,468	-	120	-	6,611	8,199
Additions－acquired separately	-	-	11,389	150	-	11,539
Amortisation charge	-	-	(13,436)	(263)	-	(13,699)
Impairment loss	(6,440)	-	-	-	-	(6,440)
At December 31	$ 1,468	$ -	$ 14,916	$ 2,271	$ 6,611	$ 25,266
At December 31, 2018						
Cost	$ 1,468	$ 238	$ 35,391	$ 2,750	$ 6,611	$ 46,458
Accumulated amortisation	-	(238)	(20,475)	(479)	-	(21,192)
	$ 1,468	$ -	$ 14,916	$ 2,271	$ 6,611	$ 25,266

	Goodwill	Trademarks	Software	Royalty	Total
At January 1, 2017					
Cost	$ 6,440	$ 238	$ 24,253	$ 3,822	$ 34,753
Accumulated amortisation	-	(214)	(5,343)	(2,703)	(8,260)
	$ 6,440	$ 24	$ 18,910	$ 1,119	$ 26,493
2017					
At January 1	$ 6,440	$ 24	$ 18,910	$ 1,119	$ 26,493
Additions－acquired separately	-	-	4,219	2,600	6,819
Amortisation charge	-	(24)	(6,286)	(1,335)	(7,645)
At December 31	$ 6,440	$ -	$ 16,843	$ 2,384	$ 25,667
At December 31, 2017					
Cost	$ 6,440	$ 238	$ 25,897	$ 6,422	$ 38,997
Accumulated amortisation	-	(238)	(9,054)	(4,038)	(13,330)
	$ 6,440	$ -	$ 16,843	$ 2,384	$ 25,667

A. Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2018	2017
Overhead	$ 94	$ 654
Selling expenses	86	-
Administrative expenses	13,106	6,184
Research and development expenses	413	807
	$ 13,699	$ 7,645

B. Because of the stiff market competition, the Group's subsidiary, GLUX HK LIMITED, was evaluated to have no value in the future. Therefore, the Group recognised impairment loss of goodwill amounting to $6,440.

(7) Other non-current assets

	December 31, 2018	December 31, 2017
Prepayments for business facilities	$ 961,348	$ 235,575
Land use right	30,750	32,104
Guarantee deposits paid	27,280	11,907
Pledged deposit	500	-
Other non-current assets	11,550	5,101
	$ 1,031,428	$ 284,687

In March 2013, the Group signed a land use right contract with Shanghai Municipal Planning, Land and Resources Administration for use of the land in Jinshan District, Shanghai City with a term of 50 years. All rentals had been paid on the contract date. The Group recognised rental expenses of $714 and $706 for the years ended December 31, 2018 and 2017, respectively.

(8) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 7,200	2.20%	SME Credit Guarantee Fund and associated guarantor guarantee
Unsecured borrowings	4,800	2.20%	NONE
	$ 12,000		

A. As of December 31, 2017, the Group has no short-term borrowings.

B. Interest expense recognised in profit or loss amounted to $1,553 and $2,547 for the years ended December 31, 2018 and 2017, respectively.

(9) Financial liabilities at fair value through profit or loss

Items	December 31, 2018	December 31, 2017
Current items:		
Call and put options of corporate bonds	($ 301)	$ 19
Valuation adjustment	386	(21)
	$ 85	($ 2)

Amounts recognised in net loss in relation to financial liabilities at fair value through profit or loss are $386 and $34 for the years ended December 31, 2018 and 2017, respectively.

(10) Other payables

	December 31, 2018	December 31, 2017
Wages and salaries payable	$ 359,012	$ 171,609
Employee bonus payable	212,468	87,405
Payable on machinery and equipment	64,134	12,310
Tax payables	12,469	20,675
Other payables	175,071	86,169
	$ 823,154	$ 378,168

(11) Other current liabilities

	December 31, 2018	December 31, 2017
Advance sales receipts	$ -	$ 226,275
Other current liabilities	60,863	17,386
	$ 60,863	$ 243,661

(12) Bonds payable

	December 31, 2018	December 31, 2017
Bonds payable	$ 502,500	$ 4,000
Less: Discount on bonds payable	(8,054)	(49)
	494,446	3,951
Less: Current portion or exercise of put options	-	(3,951)
	$ 494,446	$ -

A. The issuance of first domestic convertible bonds by the Company in the year 2015:

(a) The terms of the first domestic unsecured convertible bonds issued are as follows:

i. The Company issued $500,000, 0% first domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (October 16, 2015 ~ October 16, 2018) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on October 16, 2015.

ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds issue to 10 days before the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted; however, the reset conversion price shall not be less than 80% of the conversion price set on the issue date.

iv. The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 1.0025% of the face value as interests upon two years from the issue date.

v. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after one month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after one months of the bonds issue to 40 days before the maturity date.

vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

(b) As of December 31, 2018, the bonds totaling $4,000 (face value) had been converted into 58 thousand shares of common stock.

(c) Regarding the issuance of convertible bonds, the equity conversion options amounting to $25,033 were separated from the liability component and were recognised in 'capital surplus—share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets at fair value through profit or loss' in net amount of $2,350 in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 2.0781%.

B. The issuance of second domestic convertible bonds by the Company in the year 2018:

(a) The terms of the second domestic unsecured convertible bonds issued are as follows:

i. The Company issued $1,200,000, 0% second domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (June 8, 2018 ~ June 8, 2021) and will be redeemed in cash at face value at the maturity date.

The bonds were listed on the Taipei Exchange on June 8, 2018.

ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue before the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted; however, the reset conversion price shall not be less than 80% of the conversion price set on the issue date.

iv. The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 1.015075% of the face value as interests upon two years from the issue date.

v. The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.

vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

(b) As of December 31, 2018, the bonds totaling $697,500 (face value) had been converted into 1,918 thousand shares of common stock. Since the registration of certain shares is in process, the corresponding capital stock was recognised as "3140 advance receipts for ordinary share".

(c) Regarding the issuance of convertible bonds, the equity conversion options amounting to $24,360 were separated from the liability component and were recognised in 'capital surplus—share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets at fair value through profit or loss' in net amount of $720 in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 0.6654%.

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2017
Installment-repayment borrowings				
Cathay United Bank secured borrowings	Borrowing period is from October 25, 2016 to September 25, 2121; principal and interest are repayable monthly in installments from November 2018.	1.65%	Land and buildings and structures for pledges	$ 139,044
Less: Current portion				(1,106)
				$ 137,938

A. As of December 31, 2018, the Group has no long-term borrowings. Long-term borrowings in 2017 was settled in advance.

B. As of December 31, 2018 and 2017, the Group has undrawn borrowing facilities of $904,344 and $1,213,123, respectively.

(14) Pensions

A. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The Group’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2018 and 2017, were both 20%. Other than the monthly contributions, the Group has no further obligations.

C. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $36,190 and $27,686, respectively.

(15) Share-based payment

A. For the years ended December 31, 2018 and 2017, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2016.07.01	2,000	6 years	Employees with 2 service years are entitled to 30% Employees with 3 service years are entitled to 60% Employees with 4 service years are entitled to 100%
Restricted stocks to employees	2016.08.05	600	3 years	Employees with 1 service years are entitled to 33% Employees with 2 service years are entitled to 66% Employees with 3 service years are entitled to 100% Operating revenue growth rate 30% (year) Maintaining profit rate after tax above 10% Earnings per share exceeds \$3.0 (including \$3.0)
Cash capital increase reserved for employee preemption	2017.02.23	500	NA	Immediately
Employee stock options	2018.05.15	2,000	6 years	Employees with 2 service years are entitled to 40% Employees with 3 service years are entitled to 80% Employees with 4 service years are entitled to 100%

The restricted stocks issued by the Company cannot be transferred during the vesting period, but voting right and dividend right are not restricted on these stocks. Employees are required to return the stocks but not required to return the dividends received if they resign during the vesting period. The share-based payment arrangements above are settled by equity.

B. Details of the share-based payment arrangements are as follows:

	Years ended December 31,			
	2018		2017	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	2,000	$ 100	2,000	$ 100
Options expired	(169)	100		
Options exercised	(568)	100	-	-
Options outstanding at the end of the year	1,263	$ 100	2,000	$ 100
Options exercisable at the end of the year	17	$ 100	-	$ -

	Years ended December 31,			
	2018		2017	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	$ -	-	$ -
Options granted	2,000	448	-	-
Options outstanding at the end of the year	2,000	$ 448	-	-
Options exercisable at the end of the year	-	$ -	-	$ -

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2018 and 2017 was $436.02 and $175.5, respectively.

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2018		December 31, 2017	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2016.07.01	2022.06.30	1,263	$ 100	2,000	$ 100
2018.05.15	2024.05.14	2,000	448	-	-

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date (in dollars)	Stock price (in dollars)	Exercise price	Expected price volatility (%)	Expected option life (year)	Expected dividends	Risk-free interest rate(%)	Fair value per unit (in dollars)
Employee stock options	2016.07.01	$ 145.50	$ 100	41.92~ 44.63	3.50	-	0.605~ 0.719	$ 72.32~ 82.12
Restricted stocks to employee	2016.08.05	$ 139.00	$ 10	32.73	1.00	-	0.52%	$ 111.65
Cash capital increase reserved for employee preemption	2017.02.23	NA	$ 10	NA	NA	-	NA	$ 1.96
Employee stock options	2018.05.15	$ 440.00	$ 448	26.10~ 30.25	5.50	-	0.5636~ 0.6814	$ 63.16~ 106.15

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

F. Expenses incurred on share-based payment transactions are shown below:

	Years ended December 31, 2018	Years ended December 31, 2017
Equity-settled	$ 86,250	$ 82,793

(16) Share capital

As of December 31, 2018, the Company's authorised capital was $2,000,000, and the paid-in capital was $1,022,321, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2018		
	Private placement of ordinary share	Unrestricted shares	Total
At January 1	$ 4,600	$ 82,412	$ 87,012
Private placement of ordinary share publicly issued	(4,600)	4,600	-
Stock dividends	-	13,052	13,052
Employee stock options exercised	-	526	526
Conversion of corporate bonds	-	1,642	1,642
At December 31	$ -	$ 102,232	$ 102,232

	2017		
	Private placement of ordinary share	Unrestricted shares	Total
At January 1	$ 4,600	$ 70,847	$ 75,447
Stock dividends	-	11,343	11,343
Employee stock options exercised	-	219	219
Conversion of corporate bonds	-	3	3
At December 31	$ 4,600	$ 82,412	$ 87,012

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

B. The Company's dividend policy is summarised below: as the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans, and cash dividends shall account for at least 10% of the total dividends distributed. However, if the Company has sufficient retained earnings and capital, the Company may increase cash dividends in proportion to total dividends.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. On May 19, 2017, the stockholders approved the distribution of dividends from the 2016 earnings in the amount of $264,675, with cash dividends of $2 (in dollars) and stock dividends of $1.5 (in dollars) per share. On May 18, 2018, the stockholders approved the distribution of dividends from the 2017 earnings in the amount of $365,449, with cash dividends of $2.7 (in dollars) and stock dividends of $1.5 (in dollars) per share. On February 20, 2019, the Board of Directors proposed for the distribution of dividends from the 2018 earnings in the amount of $872,164, with cash dividends of $7 (in dollars) and stock dividends of $1.5 (in dollars) per share.

F. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(25).

(19) Other equity items

	2018			
	Unrealized gains (losses) on valuation	Currency translation	Unearned employee compensation	Total
At January 1	($ 24,375)	($ 92,261)	($ 18,507)	($ 135,143)
Revaluation – gross	(631)	-	-	(631)
Revaluation transferred to retained earnings– gross	13,430	-	-	13,430
Currency translation differences	-	(64,509)	-	(64,509)
Compensation cost of share–based payments	-	-	14,082	14,082
At December 31	($ 11,576)	($ 156,770)	($ 4,425)	($ 172,771)

	2017			
	Unrealized gains (losses) on valuation	Currency translation	Unearned employee compensation	Total
At January 1	($ 14,768)	($ 79,604)	($ 50,392)	($ 144,764)
Revaluation – gross	(9,607)	-	-	(9,607)
Currency translation differences	-	(12,657)	-	(12,657)
Compensation cost of share–based payments	-	-	31,885	31,885
At December 31	($ 24,375)	($ 92,261)	($ 18,507)	($ 135,143)

Amounts that the Group recognised in other comprehensive income due to the change in fair value are ($631) and ($9,607) for the years ended December 31, 2018 and 2017, respectively. Amounts that the Group transferred from other equity to profit and loss is $0.

(20) Operating revenue

	Year ended December 31, 2018
Revenue from contracts with customers	$ 8,098,414

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major geographical regions:

2018	Europe and America region	Asia Pacific region	Total
Total segment revenue	$ 363,674	$ 11,898,367	$ 12,262,041
Inter-segment revenue	(26,392)	(4,137,235)	(4,163,627)
Revenue from external customer contracts	$ 337,282	$ 7,761,132	8,098,414

Timing of revenue mentioned above is all at a point in time.

B. Contract assets and liabilities

As of December 31, 2018, the Group has not recognized any revenue-related contract assets, while the Group has recognized contract liabilities below:

	December 31, 2018
Contract liabilities – advance sales receipts	$ 1,229,641

(a) Significant changes in contract assets and liabilities: None.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period:

	Year ended December 31, 2018
Revenue recognised that was included in the contract liability balance at the beginning of the period	
Advance sales receipts	$ 226,275

C. Related disclosures for 2017 operating revenue are provided in Note 12(5) B.

(21) Other income

	Years ended December 31, 2018	Years ended December 31, 2017
Interest income:		
Interest income from bank deposits	$ 26,751	$ 14,158
Grant revenue	-	3,525
Gains on doubtful debt recoveries	-	318
Dividend income	-	1
Other income-others	110,707	13,113
	$ 137,458	$ 31,115

(22) Other gains and losses

	Years ended December 31, 2018	Years ended December 31, 2017
Gains on disposal of property, plant and equipment	$ 41,982	$ 848
Foreign exchange gains (losses)	2,374	(15,311)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	(386)	(34)
Impairment loss recognised in profit or loss, intangible assets other than goodwill	(6,440)	-
Miscellaneous disbursements	(611)	(2,948)
	$ 36,919	($ 17,445)

(23) Finance costs

	Years ended December 31, 2018	Years ended December 31, 2017
Interest expense		
Bank borrowings	$ 1,553	$ 2,547
Convertible bonds	3,210	82
	$ 4,763	$ 2,629

(24) Expenses by nature

	Years ended December 31, 2018	Years ended December 31, 2017
Employee benefit expense	$ 1,280,674	$ 756,821
Depreciation charges on property, plant and equipment	160,828	107,122
Operating lease payments	63,850	41,735
Amortisation charges on intangible assets	13,699	7,645
	$ 1,519,051	$ 913,323

(25) Employee benefit expense

	Years ended December 31, 2018	Years ended December 31, 2017
Wages and salaries	$ 1,054,458	$ 578,806
Employee stock options (Note)	86,250	82,793
Labour and health insurance fees	55,154	41,338
Pension costs	36,190	27,686
Other personnel expenses	48,622	26,198
	$ 1,280,674	$ 756,821

Note: It was equity-settled.

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 5%~15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $150,000 and $58,000, respectively; while directors' and supervisors' remuneration was accrued at $3,150 and $2,100, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 5%~15% and not be higher than 3% of distributable profit of current year for the year ended December 31, 2018. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $150,000 and $3,150, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2017 as resolved by the Board of Directors were $58,000 and $2,100, respectively, and were in agreement with those amounts recognised in the 2017 financial statements.

C. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

Components of income tax expense:

	Years ended December 31, 2018	Years ended December 31, 2017
Current tax:		
Current tax on profits for the year	$ 399,665	$ 174,541
Tax on undistributed surplus earnings	25,329	10,571
Prior year income tax overestimation	2,641	(5,734)
Total current tax	427,635	179,378
Deferred tax:		
Origination and reversal of temporary differences	(22,880)	(644)
Prior year deferred tax asset underestimation	(1,594)	(9,067)
Impact of change in tax rate	(4,003)	-
Total deferred tax	(28,477)	(9,711)
Income tax expense	$ 399,158	$ 169,667

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31, 2018	Years ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	$ 350,237	$ 132,104
Effect from items not recognised in accordance with tax regulation	9,567	33,600
Tax on undistributed earnings	25,329	10,571
Prior year income tax overestimation	2,641	(5,734)
Change in assessment of realisation of deferred tax assets	10,849	(9,067)
Taxable loss not recognised as deferred tax assets	4,538	8,193
Impact of change in tax rate	(4,003)	-
Income tax expense	$ 399,158	$ 169,667

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2018				
	January 1	Recognised in profit or loss	Recognised in equity	Business combination	December 31
Temporary differences:					
-Deferred tax assets:					
Allowance for obsolescence and decline in market value of inventories	$ 6,039	$ 8,065	$ -	$ -	$ 14,104
Unrealised exchange loss (gain)	1,613	(1,613)	-	-	-
Unrealised gross profit	4,457	32,626	-	-	37,083
Loss deduction	-	(10,577)	-	10,577	-
	$ 12,109	$ 28,501	$ -	$ 10,577	$ 51,187
-Deferred tax liabilities:					
Unrealised exchange loss (gain)	$ -	($ 1,618)	$ -	$ -	($ 1,618)
Others	-	-	-	(1,322)	(1,322)
	$ -	($ 1,618)	$ -	($ 1,322)	($ 2,940)
	$ 12,109	$ 26,883	$ -	$ 9,255	$ 48,247

	2017				
	January 1	Recognised in profit or loss	Recognised in equity	Business combination	December 31
Temporary differences:					
-Deferred tax assets:					
Allowance for obsolescence and decline in market value of inventories	$ 9,439	($ 3,400)	$ -	$ -	$ 6,039
Unrealised exchange loss (gain)	-	1,613	-	-	1,613
Unrealised gross profit	2,281	2,176	-	-	4,457
	$ 11,720	$ 389	$ -	$ -	$ 12,109
-Deferred tax liabilities:					
Unrealised exchange loss (gain)	($ 255)	$ 255	$ -	$ -	$ -
	($ 255)	$ 255	$ -	$ -	$ -
	$ 11,465	$ 644	$ -	$ -	$ 12,109

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 53,495	$ 21,796

E. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(27) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 1,794,899	100,885	$ 17.79
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,794,899		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	6,443	1,382	
Employee' stock option	-	1,214	
Employees' compensation	-	317	
Restricted stocks	-	191	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,801,342	103,989	$ 17.32

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 712,226	99,551	$ 7.15
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 712,226		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	68	58	
Employee' stock option	-	623	
Employees' compensation	-	234	
Restricted stocks	-	299	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 712,294	100,765	$ 7.07

The weighted average circulation of shares has been retrospectively adjusted to the number of shares of the Company's stock dividend in 2017.

(28) Transactions with non-controlling interest

A. The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary.

The Group's subsidiary, GENE & NEXT INC., issued 500 thousand new shares as employee exercised stock options in February 2017. Such transaction resulted to an increase in non-controlling interest by $3,566, and increase in equity attributable to owners of parent by $1,434.

B. The effect of changes in interests in GENE & NEXT INC. on the equity attributable to owners of the parent for the year ended December 31, 2017 is shown below:

	Year ended December 31, 2017
Cash	$ 5,000
Increase in the carrying amount of non-controlling interest	(3,566)
Capital surplus	$ 1,434

(29) Business combination

A. On August 30, 2018, the Group's subsidiary, GENE & NEXT INC., acquired 100% of the share capital of TCI LIVING CO., LTD. for $13,175 and obtained the control over TCI LIVING CO., LTD., a health foods trader and market developing company. As a result of the acquisition, the Group is expected to increase its scale of operations and revenue.

B. The following table summarises the consideration paid for TCI LIVING CO., LTD. and the fair values of the assets acquired and liabilities assumed at the acquisition date at the acquisition date:

		August 30, 2018
Purchase consideration		
Cash paid	$	13,175
Fair value of the identifiable assets acquired and liabilities assumed		
Cash		20,634
Notes and accounts receivable		12,694
Inventories		22,916
Other current assets		1,668
Property, plant and equipment		910
Intangible assets		6,731
Deferred tax assets		10,577
Other non-current assets		2,699
Bank borrowings	(	32,000)
Accounts payable	(	11,695)
Other payables	(	8,971)
Other current liabilities	(	13,134)
Deferred tax liabilities	(	1,322)
Total identifiable net assets		11,707
Goodwill	$	1,468

C. The fair value of the acquired identifiable intangible assets of $1,468 (including trademarks and licences) is provisional pending receipt of the final valuations for those assets.

D. The Group recognised a gain(loss) of ($631) as a result of measuring at fair value its 15.58% equity interest in TCI LIVING CO., LTD. held before the business combination.

E. The operating revenue included in the consolidated statement of comprehensive income since August 30, 2018 contributed by TCI LIVING CO., LTD. was $35,198. TCI LIVING CO., LTD. also contributed loss before income tax of $1,051 over the same period. Had TCI LIVING CO., LTD. been consolidated from January 1, 2018, the consolidated statement of comprehensive income would show operating revenue of $8,123,929 and profit before income tax of $2,200,148.

(30) Operating leases

The Group leases land and plant under non-cancellable operating lease agreements. The lease terms are between 2 and 15 years. Some leases are charged extra rents following the changes of local price indexes. The Group recognised rental expenses of $63,850 and $41,735 for these leases in profit or loss for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 43,304	$ 25,721
Later than one year but not later than five years	59,901	48,917
Later than five years	7,929	5,154
	$ 111,134	$ 79,792

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31, 2018	Year ended December 31, 2017
Purchase of property, plant and equipment	$ 63,685	$ 30,363
Add: Opening balance of payable on equipment	12,310	9,603
Less: Ending balance of payable on equipment	(64,134)	(12,310)
Cash paid during the year	$ 11,861	$ 27,656

B. Financing activities with no cash flow effects

	Year ended December 31, 2018	Year ended December 31, 2017
Convertible bonds being converted to capital stocks	$ 688,654	$ 96

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
TCI LIVING CO., LTD. (Former name is SBI CO., LTD.)	Other related party (The company was an institutional shareholder of TCI LIVING CO., LTD. before August 30, 2018. Now, it is the Group's subsidiary.)
CHEN, WEI-QUN	The Chairman of the Board of TCI LIVING CO., LTD. before August 30, 2018.

(2) Significant related party transactions

A. Operating revenue:

	For the period from January 1 to August 30, 2018	Year ended December 31, 2017
Sales of goods:		
Other related parties	$ 15,617	$ 21,225

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases:

	For the period from January 1 to August 30, 2018	Year ended December 31, 2017
Purchases of goods:		
Other related parties	$ 730	$ -

Goods are purchased from the related party on normal commercial terms and conditions.

C. Other expenses:

	For the period from January 1 to August 30, 2018	Year ended December 31, 2017
Service expense:		
Other related parties	$ -	$ 1,462
Rent expense:		
Other related parties	22	976
	$ 22	$ 2,438

(a) Service expense pertain to human resources and other services provided by the other related party.

(b) The lease terms and prices were both determined in accordance with mutual agreements.

D. Receivables from related parties:

	Year ended December 31, 2018	Year ended December 31, 2017
Accounts receivable:		
Other related party	$ -	$ 6,603
Other receivables:		
Other related party	-	1,162
	$ -	$ 7,765

The receivables from related parties arise mainly from sale transactions. The receivables are due 60-90 days after the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

E. Payables to related parties:

	Year ended December 31, 2018	Year ended December 31, 2017
Accounts payable:		
Other related party	$ -	$ 1,402
Other payables:		
Other related party	-	345
	$ -	$ 1,747

(3) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 51,997	$ 49,442
Share-based payments	39,004	55,168
	$ 91,001	$ 104,610

(4) Others

TCI LIVING CO., LTD. borrowed money from financial institutions for the year ended December 31, 2018. CHEN WEI-QUN was a joint guarantor and joint drawer of a guaranteed promissory note.

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2018	December 31, 2017	Purpose
Property, plant and equipment	$ 410,222	$ 669,750	Short-term and long-term borrowings
Other non-current assets	500	-	Contract security deposit
	$ 410,722	$ 669,750	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	December 31, 2018	December 31, 2017
Property, plant and equipment	$ 907,454	$ 391,609

B. Operating lease agreements

Please refer to Note 6(30).

C. As of December 31, 2018 and 2017, the Group's total unused letters of credit was $311,694 and $52,354, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are based on the Group's operating industrial scale, considering the future growth of the industry and product development, setting up appropriate market share, and planning corresponding capital expenditures. Then, determining the required working capital based on the financial operation plan. Finally, taking into consideration the operating income and cash flows that can be generated by the product competitiveness to decide the appropriate capital structure.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ -	$ 2
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 25,848	$ -
Available-for-sale financial assets		
Available-for-sale financial assets	$ -	$ 4,253
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	$ 4,417,545	$ 1,399,355
Notes receivable	24,916	4,753
Accounts receivable	520,049	430,779
Accounts receivable-related parties	-	6,603
Other receivables	38,282	17,576
Other receivables-related parties	-	1,162
Guarantee deposits paid	27,280	11,907
Other financial assets	648,440	434,514
	$ 5,676,512	$ 2,306,649

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated as at fair value through profit or loss	$ 85	$ -
Financial liabilities at amortised cost		
Short-term borrowings	$ 12,000	$ -
Notes payable	253,201	2,682
Accounts payable	1,335,590	521,173
Accounts payable-related parties	-	1,402
Other accounts payable	823,154	378,168
Other accounts payable-related parties	-	345
Corporate bonds payable (including current portion)	494,446	3,951
Long-term borrowings (including current portion)	-	139,044
	$ 2,918,476	$ 1,046,765

B. Financial risk management policies

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		December 31, 2018		
(Foreign currency: functional currency)		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets				
Monetary items				
RMB:NTD	RMB	266,412	4.4720	$ 1,191,394
USD:NTD	USD	4,621	30.7150	141,934
EUR:NTD	EUR	2,334	35.2000	82,157
SGD:NTD	SGD	2,459	22.4800	55,278
Financial liabilities				
Monetary items				
JPY:NTD	JPY	196,020	0.2782	$ 54,533
EUR:NTD	EUR	1,413	35.2000	49,738
USD:NTD	USD	1,294	30.7150	39,745
RMB:NTD	RMB	7,098	4.4720	31,742

(Foreign currency: functional currency)		December 31, 2017		
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets				
Monetary items				
RMB:NTD	RMB	47,171	4.5650	$ 215,336
USD:NTD	USD	5,908	29.7600	175,822
JPY:NTD	JPY	148,358	0.2642	39,196
Financial liabilities				
Monetary items				
RMB:NTD	RMB	10,103	4.5650	$ 46,120
EUR:NTD	EUR	876	35.7500	31,317
USD:NTD	USD	348	29.7600	10,356

iii. The total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to $2,374 and ($15,311), respectively.

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

(Foreign currency: functional currency)	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
RMB:NTD	1%	$ 11,914	$ -
USD:NTD	"	1,419	-
EUR:NTD	"	822	-
SGD:NTD	"	553	-
Financial liabilities			
Monetary items			
JPY:NTD	1%	$ 545	$ -
EUR:NTD	"	497	-
USD:NTD	"	397	-
RMB:NTD	"	317	-

(Foreign currency: functional currency)	Year ended December 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
RMB:NTD	1%	$ 2,153	$ -
USD:NTD	"	1,758	-
JPY:NTD	"	392	-
Financial liabilities			
Monetary items			
RMB:NTD	1%	$ 461	$ -
EUR:NTD	"	313	-
USD:NTD	"	104	-

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2018 and 2017 would have increased/decreased by $258 and $43, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2018 and 2017, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars.

ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 0.1% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have increased/decreased by $96 and $115, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.

ii. The Group manages their credit risk taking into consideration the entire group’s concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group’s credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

v. The Group classifies customers’ accounts receivable in accordance with credit risk. The Group applies the modified approach using loss rate methodology to estimate expected credit loss.

vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the loss rate methodology is as follows:

	Group A	Group B	Group C	Group D	Total
At December 31, 2018					
Expected loss rate	0.23%	20.23%	100.00%	100.00%	
Total book value	$ 480,856	$ 81,754	$ 15,449	$ 23,458	$ 601,517
Loss allowance	$ 1,106	$ 16,539	$ 15,449	$ 23,458	$ 56,552

vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2018	
	Accounts receivable	Notes receivable
At January 1_IAS 39	$ 16,374	$ -
Adjustments under new standards	-	-
At January 1_IFRS 9	16,374	-
Provision for impairment	39,865	-
Business combination	1,188	-
Effect of foreign exchange	(875)	-
At December 31	$ 56,552	$ -

	2017	
	Accounts receivable	Notes receivable
At January 1	$ 15,202	$ 318
Provision for impairment	1,172	-
Reversal of impairment loss	-	(318)
At December 31	$ 16,374	$ -

viii. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(14)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

ii. As of December 31, 2018 and 2017, the Group has undrawn borrowing facilities of $904,344 and $1,213,123, respectively.

iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2018	Less than 3 months	3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	$ 66	$ 12,009	$ -	$ -
Notes payable	253,201	-	-	-
Accounts payable (including related parties)	1,335,590	-	-	-
Other payables (including related parties)	610,686	212,468	-	-
Guarantee deposits received	-	-	11,627	-
Convertible bonds	-	-	-	507,600

Non-derivative financial liabilities:

December 31, 2017	Less than 3 months	3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years
Notes payable	$ 2,682	$ -	$ -	$ -
Accounts payable (including related parties)	522,575	-	-	-
Other payables (including related parties)	301,819	76,694	-	-
Guarantee deposits received	11,869	-	-	-
Long-term borrowings (including current portion)	566	2,834	8,934	135,023
Convertible bonds	-	4,040	-	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1:Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1

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. The fair value of the Group’s investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ 1,196	$ -	$ 24,652	$ 25,848
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Call and put options of corporate bonds	$ -	$ 85	$ -	$ 85

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Call and put options of corporate bonds	$ -	$ 2	$ -	$ 2
Available-for-sale financial assets	1,196	-	3,057	4,253
	$ 1,196	$ 2	$ 3,057	$ 4,255

(b)The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2018 and 2017:

	2018	2017
	Equity instrument-unlisted shares	
At January 1	$ 3,057	$ 12,399
Acquired in the period	24,280	-
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(631)	-
Sold in the period	(2,054)	-
Recognised in other comprehensive income	-	(9,342)
At December 31	$ 24,652	$ 3,057

F. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

G. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value. .

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

		Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	$	24,652	Market comparable companies	Price to earnings ratio multiple	1.38~1.83	The higher the value of net assets, the higher the fair value;
				Discount for lack of marketability	19.89% ~21.04%	the higher the discount for lack of marketability, the lower the fair value.

		Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	$	3,057	Market comparable companies	Price to earnings ratio multiple	1.38~1.83	The higher the value of net assets, the higher the fair value;
				Discount for lack of marketability	19.89% ~21.04%	the higher the discount for lack of marketability, the lower the fair value.

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount for lack of marketability	±5%	$ -	$ -	$ 1,233	$ 1,233

			December 31, 2017			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount for lack of marketability	±5%	$ -	$ -	$ 153	$ 153

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

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

i. They are financial assets designated as at fair value through profit or loss on initial recognition. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(i) Hybrid (combined) contracts; or

(ii) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(iii)They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

(b) Available for sale financial assets

i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

iii. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in ‘financial assets measured at cost’.

(c) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i)Financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii)Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliations of carrying amount of financial assets transfered from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

(a) Under IAS 39, because the equity instruments, which were classified as available-for-sale financial assets, amounting to $4,253, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" on initial application of IFRS 9.

(b) Under IAS 39, the equity instruments, which were classified as: financial assets at fair value through profit or loss, amounting to $2, were reclassified as "financial assets at fair value through profit or loss (equity instruments)" under IFRS 9.

C. There is no allowance for impairment and provision on December 31, 2017.

D. The significant accounts as of December 31, 2017 and for the year ended December 31, 2017 are as follows:

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

Items	December 31, 2017
Current items:	
Financial assets designated as at fair value through profit or loss on initial recognition	
Corporate bonds	$ (19)
Valuation adjustment	21
	$ 2

i. The Group recognised net loss amounting to $34 on financial assets at fair value through profit or loss for the year ended December 31, 2017.

ii. The Group has no financial assets at fair value through profit or loss pledged to others.

(b)Available-for-sale financial assets

Items	December 31, 2017
Non-current items:	
Listed stocks	$ 12,604
Unlisted stocks	16,024
	28,628
Valuation adjustment	(24,375)
	$ 4,253

The Group has no available-for-sale financial assets pledged to others as collateral.

E. Credit risk information for the year ended December 2017 are as follows :

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality information of notes and accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017
Group 1	$ 2,522
Group 2	404,944
Group 3	-
	$ 407,466

Note:

Group 1: New customers (less than 12 months from the first transaction).

Group 2: Customers without possibility of default.

Group 3: Customers with possibility of default.

(d) The ageing analysis of financial assets that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 23,101
31 to 90 days	3,786
Over 90 days	1,179
	$ 28,066

The above ageing analysis was based on past due date.

(e) Movements analysis of financial assets that were impaired is as follows:

i. As of December 31, 2017, the Group's impaired notes and accounts receivable amounted to $16,374.

ii. Movements on allowance for uncollectible accounts are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	$ 15,520	$ -	$ 15,520
Provision for impairment	1,172	-	1,172
Reversal of impairment	(318)	-	(318)
At December 31	$ 16,374	$ -	$ 16,374

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

Sales of goods

The Group manufactures and sells health foods and cosmetics. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2017
Sales revenue	$ 4,072,168

C. The effects and description of current balance sheet and comprehensive income statement items if the Group continues adopting above accounting policies are as follows:

		December 31, 2018		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Advance sales receipts	(1)	$ -	$ 1,229,641	($ 1,229,641)
Contract liabilities	(1)	1,229,641	-	1,229,641

(1) Under IFRS 15, liabilities in relation to sales contracts are recognised as contract liabilities.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 2.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this period.

(2) Measurement of segment information

The Group's chief operating decision-maker evaluates the performances of the operating segments based on their net profit after tax.

(3) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Taiwan	Asia	Others	Adjustment and reversal	Total
Year ended December 31, 2018					
Revenue from external customers	$ 1,884,624	$ 6,184,899	$ 28,891	$ -	$ 8,098,414
Revenue from internal customers	3,339,759	823,868	-	(4,163,627)	-
Segment revenue	$ 5,224,383	$ 7,008,767	$ 28,891	($ 4,163,627)	$ 8,098,414
Segment income	$ 2,574,590	$ 2,704,798	($ 974)	($ 3,471,035)	$ 1,807,379
Segment income / loss, including:					
Depreciation and amortisation	$ 141,681	$ 32,846	$ -	$ -	$ 174,527
Interest income	1,622	25,129	-	-	26,751
Interest expense	4,763	-	-	-	4,763
Income tax expense	134,880	264,278	-	-	399,158
Investment profit or loss which is adopting equity method	1,520,216	417,876	-	(1,938,092)	$ -
Segment total assets	$ 10,800,976	$ 8,605,178	$ 36,923	($ 9,156,337)	$ 10,286,740
Segment assets including:					
Investment which is adopting equity method	$ 3,117,064	$ 692,500	$ -	($ 3,809,564)	$ -
Capital expenditure of non-current asset	895,689	285,862	3,112	-	1,184,663
Segment total liabilities	$ 2,964,678	$ 2,704,831	$ 28,701	($ 1,180,512)	$ 4,517,698

	Taiwan	Asia	Adjustment and reversal	Total
Year ended December 31, 2017				
Revenue from external customers	$ 1,426,450	$ 2,645,718	$ -	$ 4,072,168
Revenue from internal customers	1,038,021	380,872	(1,418,893)	-
Segment revenue	$ 2,464,471	$ 3,026,590	($ 1,418,893)	$ 4,072,168
Segment income	$ 1,207,364	$ 1,260,003	($ 1,746,543)	$ 720,824
Segment income / loss, including:				
Depreciation and amortisation	$ 77,311	$ 37,456	$ -	$ 114,767
Interest income	2,503	11,655	-	14,158
Interest expense	2,586	43	-	2,629
Income tax expense	58,442	111,225	-	169,667
Investment profit or loss which is adopting equity method	627,306	73,795	(701,101)	-
Segment total assets	$ 5,764,235	$ 3,824,335	($ 4,747,887)	$ 4,840,683
Segment assets including:				
Investment which is adopting equity method	$ 1,765,970	$ 294,420	($ 2,060,390)	$ -
Capital expenditure of non-current asset	558,465	20,156	-	578,621
Segment total liabilities	$ 1,037,196	$ 550,348	($ 165,133)	$ 1,422,411

Sales to Europe and America of reporting department-Taiwan is $337,282 in 2018.

(4) Reconciliation for segment income

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. The reportable segment income or loss is in accordance with the income before tax from continuing operations for the years ended December 31, 2018 and 2017.

(5) Information on products

The Group operates business only in a single industry with business scope of healthy foods and beauty products; disclosure of financial information on industry is not applicable.

(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	2018		2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 1,884,624	$ 2,291,804	$ 1,426,450	$ 1,609,399
Mainland China	6,184,856	687,154	2,638,453	382,751
Others	28,934	3,112	7,265	1,137
	$ 8,098,414	$ 2,982,070	$ 4,072,168	$ 1,993,287

Revenue is reported based on the countries in which the Group's subsidiaries are located.

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2018 and 2017 is as follows:

	Years ended December 31,			
	2018		2017	
	Revenue	Segment	Revenue	Segment
A	$ 1,598,916	Asia	$ 1,479,517	Asia
B	46,612	Taiwan	268,772	Taiwan
C	2,163,991	Asia	160,777	Asia
	$ 3,809,519		$ 1,909,066	

TCI CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2018				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
TCI CO., LTD	BILLION ELECTRIC CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	118,000	$ 1,196	0.12	$ 1,196	
TCI CO., LTD	LIN LIE INTEGRATION CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	54,000	372	3.48	372	
TCI CO., LTD	PURE MILK CO., LTD.	The company was an institutional shareholder of PURE MILK CO., LTD..	Financial assets at fair value through other comprehensive income - non-current	403,333	22,000	10.00	22,000	
TCI LIVING CO., LTD	Chun Ling International Co., Ltd.	The company was an institutional shareholder of Chun Ling International Co., Ltd..	Financial assets at fair value through other comprehensive income - non-current	228,000	2,280	19.00	2,280	

TCI CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
TCI CO., LTD	Shanghai BioScience Co., Ltd.	Second-tier subsidiary	(Sales)	$ 465,679	(9.15)	60-90 days	The prices and terms of sales and purchases are available to third parties.	Terms for collections are approximately the same as those with third parties.	$ 5,048	0.56	
Shanghai BioScience Co., Ltd.	TCI CO., LTD	Parent	Purchases	465,679	59.74	60-90 days	The prices and terms of sales and purchases are available to third parties.	Terms for payments are approximately the same as those with third parties.	(5,048)	(24.86)	
TCI CO., LTD	Shanghai BioFunction Co., Ltd.	Subsidiary	(Sales)	3,146,833	(61.82)	60-90 days	The prices and terms of sales and purchases are available to third parties.	Terms for payments are approximately the same as those with third parties.	639,866	70.47	
Shanghai BioFunction Co., Ltd.	TCI CO., LTD	Parent	Purchases	3,146,833	87.00	60-90 days	The prices and terms of sales and purchases are available to third parties.	Terms for payments are approximately the same as those with third parties.	(639,866)	(60.37)	

Note: Regarding percentage of transaction amount to total operating revenues or total assets, it is computed based on period-end balance of transaction to total assets for balance sheet accounts and based on accumulated transaction amount for the period to total operating revenues for income statement accounts.

TCI CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018		Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
						Amount	Action taken		
TCI CO., LTD	Shanghai BioFunction Co., Ltd.	Subsidiary	Accounts receivable	$ 639,866	8.78	$ -	-	$ 639,866	$ -

Note: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity.

TCI CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

Year ended December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	TCI CO., LTD	Shanghai BioScience Co., Ltd.	1	Sales of goods	$ 465,679	The prices and terms of sales and purchases are available to third parties.	5.75
0	TCI CO., LTD	Shanghai BioScience Co., Ltd.	1	Accounts receivable	5,048	The prices and terms of sales and purchases are available to third parties.	0.05
0	TCI CO., LTD	Shanghai BioFunction Co., Ltd.	1	Sales of goods	3,146,833	The prices and terms of sales and purchases are available to third parties.	38.86
0	TCI CO., LTD	Shanghai BioFunction Co., Ltd.	1	Accounts receivable	639,866	The prices and terms of sales and purchases are available to third parties.	6.22

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories :

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to total operating revenues or total assets, it is computed based on period-end balance of transaction to total assets for balance sheet accounts and based on accumulated transaction amount for the period to total operating revenues for income statement accounts.

TCI CO., LTD. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at December 31, 2018: Number of shares	Shares held as at December 31, 2018: Ownership (%)	Shares held as at December 31, 2018: Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018	Footnote
TCI CO., LTD	TCI FIRSTEK CORP.	R.O.C	Wholesale and retails of health food and cosmetics	$ 43,685	$ 43,685	115,963,709	100.00	$ 1,773,480	$ 752,987	$ 752,987	None
TCI CO., LTD	GENE & NEXT INC.	R.O.C	Research and develop of biotechnology and genetics	64,250	64,250	6,425,000	61.19	71,196	32,459	19,979	None
TCI CO., LTD	TCI HK LIMITED	Hong Kong	Trading of health food and cosmetics	21,046	21,046	-	100.00	14,113	1,593	1,593	None
TCI CO., LTD	TCI BIOTECH LLC	U.S.A.	Trading of health food and cosmetics	8,778	-	-	100.00	8,222	(974)	(974)	None
TCI CO., LTD	BioCosme Co., Ltd.	R.O.C	Trading of health food and cosmetics	5,000	-	500,000	100.00	5,000	-	-	None
TCI CO., LTD	TCI JAPAN CO., LTD.	JAPAN	Trading of health food and cosmetics	-	-	-	100.00	-	-	-	Note 3
GENE & NEXT INC.	GLUX HK LIMITED	Hong Kong	Trading of health food and cosmetics	29,542	25,000	-	100.00	9,524	(3,235)	(1,979)	None
GENE & NEXT INC.	TCI LIVING CO., LTD.	R.O.C	Trading of health food and cosmetics	43,175	-	11,500,000	100.00	34,452	(15,532)	(5,711)	None
TCI LIVING CO., LTD.	SBI GROUP HK LIMITED	Hong Kong	Trading of health food and cosmetics	-	-	-	100.00	4,087	43	5	None
TCI CO., LTD	PT TCI BIOTEK INDO	Indonesia	Trading of health food and cosmetics	-	-	-	100.00	-	-	-	Note 3

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2018' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column..

(2)The 'Net profit (loss) of the investee for the year ended December 31, 2018' column should fill in amount of net profit (loss) of the investee for this period.

(3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2018' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: There was no capital injection as of December 31, 2018.

TCI CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Shanghai BioTrade Co., Ltd.	Wholesale of health food, cosmetics and chemical productions; Commissioned cosmetic manufacturing	$ 15,665	Note 3	$ 15,440	$ -	$ -	$ 15,440	$ 766,471	100.00	$ 766,471	$ 1,971,404	$ 289,047	Note 4 Note 5
Shanghai BioScience Co., Ltd.	Wholesale of health food, cosmetics and chemical productions; Commissioned cosmetic manufacturing	26,832	Note 2	-	-	-	-	768,926	100.00	768,926	1,809,826	-	Note 4 Note 5
Shanghai BioCosme Co., Ltd.	Manufacturing cosmetics	147,576	Note 2	-	-	-	-	1,756	100.00	1,756	124,426	-	Note 4 Note 5
Shanghai BioFunction Co., Ltd.	Producing health food	665,896	Note 1	397,504	40,803	-	438,307	1,164,508	100.00	1,164,508	1,937,553	-	Note 4 Note 5
BIO DYNAMIC LABORATORIES INC.	Trading of health food and cosmetics	29,587	Note 3	-	-	-	-	(3,998)	61.19	1,365	7,712	-	Note 4 Note 5

Note 1：Reinvestments in a company in Mainland China through parent company in Taiwan and Shanghai BioScience Co., Ltd.. (USD$14,400 and RMB$50,000)

Note 2：Reinvestments in a company in Mainland China through Shanghai BioTrade Co., Ltd.

Note 3：Reinvestments in a company in Mainland China through domestic subsidiary company.

Note 4：The financial statements that are audited and attested by R.O.C. parent company's CPA.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
TCI CO., LTD	$ 438,307	$ 767,865	$ 3,461,425
TCI FIRSTEK CORP.	15,440	15,440	1,175,338

Note 5：The numbers in this table are expressed in New Taiwan dollars, except for: assets and liabilities presents at RMB$1：NTD$4.472, USD$1：NTD$30.715; income presents at RMB$1：NTD$4.5601, USD$1：NTD$30.1492;

Note 6：The amount is the higher of limits on accumulated investment amounts or 60% of consolidated net assets was based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

TCI CO., LTD. AND SUBSIDIARIES

Significant transactions , either directly or indirectly through a third area, with investee companies in the Mainland Area

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2018	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2018	Balance at December 31, 2018	Interest rate	Interest during the year ended December 31, 2018	Others
Shanghai BioScience Co., Ltd.	$ 465,679	9.15	$ -	-	$ 5,048	0.56	$ -	-	$ -	$ -	-	$ -	
Shanghai BioFunction Co., Ltd.	3,146,833	61.82	-	-	639,886	70.47	-	-	-	-	-	-	

Note: Regarding percentage of transaction amount to total operating revenues or total assets, it is computed based on period-end balance of transaction to total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.