TCI CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

SEPTEMBER 30, 2019 AND 2018

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of TCI Co., Ltd. and subsidiaries (the "Group") as at September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then end, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2019 and 2018 and its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Hsu, Ming-Chuan   Wang, Kuo-Hua

For and on behalf of PricewaterhouseCoopers, Taiwan

October 30, 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
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

	Assets	Notes	September 30, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	September 30, 2018 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 4,024,559	37	$ 4,417,545	43	$ 4,075,414	44
1136	Current financial assets at amortised cost	6(1)	437,990	4	648,440	6	1,076,537	12
1150	Notes receivable, net	6(3)	5,156	-	24,916	-	12,113	-
1170	Accounts receivable, net	6(3)	494,857	5	520,049	5	297,405	3
1200	Other receivables		17,543	-	38,282	-	28,394	-
130X	Inventories	6(4)	1,180,077	11	1,308,995	13	1,015,396	11
1410	Prepayments		199,342	2	225,832	2	160,679	2
1470	Other current assets	6(1)	25,130	-	43,576	1	42,660	-
11XX	**Total current assets**		6,384,654	59	7,227,635	70	6,708,598	72
	Non-current assets							
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	25,848	-	25,848	-	23,568	-
1600	Property, plant and equipment	6(5)	2,486,565	23	1,925,376	19	1,877,607	20
1755	Right-of-use assets	6(6)	113,378	1	-	-	-	-
1780	Intangible assets	6(7)	26,983	-	25,266	-	34,014	1
1840	Deferred income tax assets	6(25)	28,140	1	51,187	1	44,283	1
1900	Other non-current assets	6(8)	1,758,985	16	1,031,428	10	566,758	6
15XX	**Total non-current assets**		4,439,899	41	3,059,105	30	2,546,230	28
1XXX	**Total assets**		$ 10,824,553	100	$ 10,286,740	100	$ 9,254,828	100

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TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	September 30, 2018 AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(9)	$ 500,000	5	$ 12,000	-	$ 30,000	-
2120	Financial liabilities at fair value through profit or loss - current	6(10)	108	-	85	-	2,152	-
2130	Current contract liabilities	6(19)	812,349	8	1,229,641	12	1,622,555	18
2150	Notes payable		63,889	1	253,201	2	7,475	-
2170	Accounts payable		983,983	9	1,335,590	13	1,151,816	12
2180	Accounts payable - related parties	7	48,479	-	-	-	-	-
2200	Other payables	6(11)	941,611	9	823,154	8	640,189	7
2230	Current income tax liabilities	6(25)	157,684	1	294,096	3	197,938	2
2280	Current lease liabilities	6(6)	38,109	-	-	-	-	-
2399	Other current liabilities, others		43,244	-	60,863	1	45,475	1
21XX	**Total current liabilities**		3,589,456	33	4,008,630	39	3,697,600	40
	Non-current liabilities							
2530	Corporate bonds payable	6(12)	430,672	4	494,446	5	612,781	7
2570	Deferred income tax liabilities	6(25)	992	-	2,940	-	-	-
2580	Non-current lease liabilities	6(6)	46,883	1	-	-	-	-
2600	Other non-current liabilities		11,800	-	11,682	-	11,534	-
25XX	**Total non-current liabilities**		490,347	5	509,068	5	624,315	7
2XXX	**Total liabilities**		4,079,803	38	4,517,698	44	4,321,915	47
	Equity attributable to owners of parent							
	Share capital	6(15)						
3110	Share capital - common stock		1,181,832	11	1,022,321	10	1,001,219	11
3140	Advance receipts for share capital		14,150	-	3,755	-	21,102	-
3150	Stock dividends to be distributed		-	-	-	-	-	-
	Capital surplus	6(16)						
3200	Capital surplus		2,589,208	24	2,256,871	22	2,107,931	23
	Retained earnings	6(17)						
3310	Legal reserve		396,403	4	216,913	2	216,913	2
3320	Special reserve		168,346	2	120,366	1	120,366	1
3350	Unappropriated retained earnings		2,785,067	26	2,276,431	22	1,615,943	18
	Other equity interest	6(18)						
3400	Other equity interest		(452,309)	(5)	(172,771)	(1)	(193,149)	(2)
31XX	**Equity attributable to owners of the parent**		6,682,697	62	5,723,886	56	4,890,325	53
36XX	**Non-controlling interest**		62,053	-	45,156	-	42,588	-
3XXX	**Total equity**		6,744,750	62	5,769,042	56	4,932,913	53
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant subsequent events	11						
3X2X	**Total liabilities and equity**		$ 10,824,553	100	$ 10,286,740	100	$ 9,254,828	100

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

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)
(UNAUDITED)

			Three months ended September 30				Nine months ended September 30			
			2019		2018		2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(19) and 7	$ 2,070,899	100	$ 2,410,231	100	$ 7,236,723	100	$ 5,305,763	100
5000	**Operating costs**	6(4)(14)(23)(24)	(1,237,840)	(60)	(1,339,952)	(56)	(4,180,973)	(57)	(3,049,789)	(58)
5900	**Net operating margin**		833,059	40	1,070,279	44	3,055,750	43	2,255,974	42
	Operating expenses	6(14)(23)(24)								
6100	Selling expenses		(153,894)	(7)	(138,253)	(6)	(449,805)	(6)	(325,290)	(6)
6200	General and administrative expenses		(183,668)	(9)	(157,438)	(6)	(484,082)	(7)	(349,172)	(6)
6300	Research and development expenses		(133,711)	(7)	(105,130)	(4)	(364,372)	(5)	(260,245)	(5)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9		(1,779)	-	(16,630)	(1)	(2,055)	-	(39,865)	(1)
6000	**Total operating expenses**		(473,052)	(23)	(417,451)	(17)	(1,300,314)	(18)	(974,572)	(18)
6900	**Operating profit**		360,007	17	652,828	27	1,755,436	25	1,281,402	24
	Non-operating income and expenses									
7010	Other income	6(20)	92,682	5	29,882	1	173,909	2	92,298	2
7020	Other gains and losses	6(21)	(19,897)	(1)	25,354	1	(16,771)	-	17,442	-
7050	Finance costs	6(22)	(1,250)	-	(2,001)	-	(3,713)	-	(3,659)	-
7000	**Total non-operating income and expenses**		71,535	4	53,235	2	153,425	2	106,081	2
7900	**Profit before income tax**		431,542	21	706,063	29	1,908,861	27	1,387,483	26
7950	Income tax expense	6(25)	(66,128)	(4)	(125,235)	(5)	(283,666)	(4)	(241,827)	(4)
8200	**Profit for the period**		$ 365,414	17	$ 580,828	24	$ 1,625,195	23	$ 1,145,656	22
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(2)(18)	$ -	-	($ 631)	-	$ -	-	($ 631)	-
	Other comprehensive loss									
8361	Financial statements translation differences of foreign operations	6(18)	(148,102)	(7)	(89,628)	(4)	(117,273)	(2)	(83,861)	(2)
8300	**Total other comprehensive loss for the period**		($ 148,102)	(7)	($ 90,259)	(4)	($ 117,273)	(2)	($ 84,492)	(2)
8500	**Total comprehensive income for the period**		$ 217,312	10	$ 490,569	20	$ 1,507,922	21	$ 1,061,164	20
	Profit (loss) attributable to:									
8610	Owners of the parent		$ 360,775	17	$ 576,937	24	$ 1,608,270	23	$ 1,134,411	22
8620	Non-controlling interest		4,639	-	3,891	-	16,925	-	11,245	-
			$ 365,414	17	$ 580,828	24	$ 1,625,195	23	$ 1,145,656	22
	Comprehensive income (loss) attributable to:									
8710	Owners of the parent		$ 212,773	10	$ 487,568	20	$ 1,491,025	21	$ 1,050,770	20
8720	Non-controlling interest		4,539	-	3,001	-	16,897	-	10,394	-
			$ 217,312	10	$ 490,569	20	$ 1,507,922	21	$ 1,061,164	20
	Basic earnings per share (In dollars)	6(26)								
9750	**Basic earnings per share**		$ 3.04		$ 4.98		$ 13.60		$ 9.82	
9850	**Diluted earnings per share**		$ 3.01		$ 4.87		$ 13.34		$ 9.55	

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

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent													
		Share capital				Retained earnings			Other equity interest						
	Notes	Share capital - common stock	Advance receipts for share capital	Stock dividends to be distributed	Capital surplus, additional paid-in capital	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	Unrealized gain or loss on available-for-sale financial assets	Other equity - unearned compensation	Total	Non-controlling interest	Total equity
For the nine-month period ended September 30, 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
Effects of retrospective application and retrospective restatement		-	-	-	-	-	-	-	-	(24,375)	24,375	-	-	-	-
Balance at January 1 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 period		-	-	-	-	-	-	1,134,411	-	-	-	-	1,134,411	11,245	1,145,656
Other comprehensive loss for the period		-	-	-	-	-	-	-	(83,010)	(631)	-	-	(83,641)	(851)	(84,492)
Total comprehensive income	6(18)	-	-	-	-	-	-	1,134,411	(83,010)	(631)	-	-	1,050,770	10,394	1,061,164
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		-	5,260	-	35,613	-	-	-	-	-	-	-	40,873	-	40,873
Due to recognition of equity component of convertible bonds issued	6(12)	-	-	-	24,360	-	-	-	-	-	-	-	24,360	-	24,360
Conversion of convertible bonds into shares		584	15,842	-	552,996	-	-	-	-	-	-	-	569,422	-	569,422
Share-based payments	6(14)	-	-	-	41,548	-	-	-	-	-	-	12,205	53,753	-	53,753
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	-	-	(13,430)	-	13,430	-	-	-	-	-
Balance at September 30, 2018		$ 1,001,219	$ 21,102	$ -	$ 2,107,931	$216,913	$120,366	$1,615,943	($ 175,271)	($11,576)	$ -	($ 6,302)	$4,890,325	$ 42,588	$ 4,932,913

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TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent													
		Share capital				Retained earnings			Other equity interest						
	Notes	Share capital - common stock	Advance receipts for share capital	Stock dividends to be distributed	Capital surplus, additional paid-in capital	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	Unrealized gain or loss on available-for-sale financial assets	Other equity - unearned compensation	Total	Non-controlling interest	Total equity
For the nine-month period ended September 30, 2019															
Balance at January 1, 2019		$ 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
Profit for the period		-	-	-	-	-	-	1,608,270	-	-	-	-	1,608,270	16,925	1,625,195
Other comprehensive loss for the period	6(18)	-	-	-	-	-	-	-	(117,245)	-	-	-	(117,245)	(28)	(117,273)
Total comprehensive income		-	-	-	-	-	-	1,608,270	(117,245)	-	-	-	1,491,025	16,897	1,507,922
Appropriations of 2018 earnings															
Legal reserve		-	-	-	-	179,490	-	(179,490)	-	-	-	-	-	-	-
Special reserve		-	-	-	-	-	47,980	(47,980)	-	-	-	-	-	-	-
Stock dividends		153,911	-	-	-	-	-	(153,911)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(718,253)	-	-	-	-	(718,253)	-	(718,253)
Exercise of employee stock purchase plans		420	4,790	-	29,934	-	-	-	-	-	-	-	35,144	-	35,144
Conversion of convertible bonds into shares	6(12)(15)	5,180	(3,335)	-	64,207	-	-	-	-	-	-	-	66,052	-	66,052
Share-based payments	6(14)	-	8,940	-	238,196	-	-	-	-	-	-	(162,293)	84,843	-	84,843
Balance at September 30, 2019		$ 1,181,832	$ 14,150	$ -	$ 2,589,208	$ 396,403	$ 168,346	$ 2,785,067	($ 274,015)	($ 11,576)	$ -	($ 166,718)	$ 6,682,697	$ 62,053	$ 6,744,750

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

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the nine-month periods ended September 30 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,908,861	$ 1,387,483
Adjustments			
Adjustments to reconcile profit (loss)			
Bad debt provision	6(3) and 12(2)	2,055	39,865
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(10)(21)	(17)	2,526
Loss (gain) on disposal of property, plant and equipment	6(5)(21)	3,839	(37,828)
Depreciation	6(5)(6)(23)	188,190	114,720
Amortisation	6(7)(23)	9,556	9,918
Long-term prepayment charged to expenses	6(8)	-	539
Interest income	6(20)	(49,095)	(18,911)
Interest expense	6(22)	3,713	3,659
Compensation cost arising from employee stock options	6(14)	75,903	53,753
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		19,760	(6,964)
Accounts receivable		23,137	105,807
Accounts receivable - related parties		-	6,603
Other receivables		20,739	(10,607)
Other receivables - related parties		-	1,162
Inventories		128,918	(552,624)
Prepayments		26,490	(85,627)
Other current assets		18,446	(36,145)
Changes in operating liabilities			
Contract liabilities - current		(417,292)	1,622,555
Notes payable		(189,312)	4,793
Accounts payable		(351,607)	618,948
Accounts payable - related parties		48,479	(1,402)
Other payables		90,715	255,173
Other payables - related parties		-	(345)
Other current liabilities		(17,619)	(211,320)
Cash inflow generated from operations		1,543,859	3,265,731
Interest received		49,095	18,911
Interest paid		(263)	(1,463)
Income tax paid		(398,709)	(182,014)
Net cash flows from operating activities		1,193,982	3,101,165

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TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	For the nine-month periods ended September 30 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of non-current financial assets at fair value through other comprehensive income		$ -	($ 22,000)
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	6(29)	(278,371)	(42,551)
Proceeds from disposal of property, plant and equipment		2,813	100,888
Increase in other current assets		-	(3,200)
Increase in refundable deposits	6(8)	(5,999)	(7,347)
Acquisition of intangible assets		(11,273)	(11,389)
Acquisition of subsidiary company		-	7,459
Decrease (increase) in other non-current assets		2,679	(4,076)
Decrease (increase) in financial assets at amortised cost		210,450	(642,023)
Increase in prepayments for purchase of equipment		(1,227,279)	(642,190)
Net cash flows used in investing activities		(1,306,980)	(1,264,375)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		500,000	-
Payment of short-term borrowings		(12,000)	(2,000)
Redemption of long-term borrowings		-	(139,044)
Increase (decrease) in guarantee deposits		118	(388)
Employee stock options		35,144	40,873
Lease liabilities paid	6(6)	(28,811)	-
Proceeds from issuance of convertible bonds, net	6(12)	-	1,200,000
Cash dividends paid		(718,253)	(234,931)
Proceeds from issuance of restricted stock	6(14)	8,940	-
Net cash flows (used in) from financing activities		(214,862)	864,510
Effects due to changes in exchange rate		(65,126)	(25,241)
Net (decrease) increase in cash and cash equivalents		(392,986)	2,676,059
Cash and cash equivalents at beginning of period	6(1)	4,417,545	1,399,355
Cash and cash equivalents at end of period	6(1)	$ 4,024,559	$ 4,075,414

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

(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 foods and cosmetics.

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

These consolidated financial statements were reported to the Board of Directors on October 30, 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 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’

(a) 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.

(b) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by $131,657, increased ‘lease liability’ by $100,907 and decreased land use right (shown as ‘other non-current assets’) by $30,750 with respect to the lease contracts of lessees on January 1, 2019.

(c) The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

i. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

ii. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

iii. The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $39,038 was recognised in the third quarter of 2019.

iv. The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.

v. The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

vi. The adjustment of the ‘right-of-use asset’ by the amount of any provision for onerous leases.

(d) The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate of 1.65%.

(e) The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$	111,134
Less: Short-term leases	(	7,850)
Less: Low-value assets	(	348)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019		102,936
Incremental borrowing interest rate at the date of initial application		1.65%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	100,907

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.

(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 2020 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

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance on the Group's assessment.

(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
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

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

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" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.

(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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "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.

(3) <u>Basis of consolidation</u>

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:

			Ownership (%)			
Name of investor	Name of subsidiary	Main business activities	September 30, 2019	December 31, 2018	September 30, 2018	Description
TCI CO., LTD.	TCI FIRSTEK CORP.	Wholesale and retail of health foods and cosmetics	100	100	100	Note 1
TCI CO., LTD.	GENE & NEXT INC.	Research and development of biotechnology and genetics	61.19	61.19	61.19	Note 1
TCI CO., LTD.	Shanghai BioFunction Co., Ltd.	Producing health foods	34.76	64.26	64.26	Note 1
TCI CO., LTD.	TCI HK LIMITED	Trading health foods and cosmetics	100	100	100	Note 1
TCI FIRSTEK CORP.	Shanghai BioTrade Co., Ltd.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	100	100	100	Note 2
GENE & NEXT INC.	GLUX HK LIMITED	Trading health foods and cosmetics	100	100	100	Note 2
Shanghai BioTrade Co., Ltd.	Shanghai BioScience Co., Ltd.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	100	100	100	Note 3
Shanghai BioTrade Co., Ltd.	Shanghai BioCosme Co., Ltd.	Producing cosmetics	100	100	100	Note 3

Name of investor	Name of subsidiary	Main business activities	Ownership (%) September 30, 2019	Ownership (%) December 31, 2018	Ownership (%) September 30, 2018	Description
Shanghai BioScience Co., Ltd.	Shanghai BioFunction Co., Ltd.	Producing health foods	65.24	35.74	35.74	Note 1
TCI CO., LTD.	TCI BIOTECH LLC	Trading health foods and cosmetics	100	100	100	Note 1
TCI CO., LTD.	BioCosme Co., Ltd.	Trading health foods and cosmetics	100	100	100	Note 1 Note 4
GENE & NEXT INC.	TCI LIVING CO., LTD.	Trading health foods and cosmetics	100	100	100	Note 2 Note 5
TCI LIVING CO., LTD.	BIO DYNAMIC LABORATORIES INC.	Trading health foods and cosmetics	100	100	100	Note 3 Note 6
TCI LIVING CO., LTD.	SBI GROUP HK LIMITED	Trading health foods and cosmetics	100	100	100	Note 3 Note 6
TCI CO., LTD.	TCI JAPAN CO., LTD.	Trading health foods and cosmetics	100	100	-	Note 1 Note 7
TCI CO., LTD.	PT TCI BIOTEK INDO	Trading health foods and cosmetics	100	100	-	Note 1 Note 8
Shanghai BioScience Co., Ltd.	SHANGHAI BIOTECH GENE TECHNOLOGY CO., LTD.	Research and development of biotechnology and genetics	100	-	-	Note 3

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 May 2, 2018 resolved to invest and set up BioCosme Co., Ltd. and was established on July 31, 2018.

Note 5: 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. was renamed to TCI LIVING

CO., LTD. on September 17, 2018.

Note 6: BIO DYNAMIC LABORATORIES INC. and SBI GROUP HK LIMITED were 100% held by SBI CO., LTD. before the share transfer transaction.

Note 7: 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.

Note 8: There was no capital injection as of September 30, 2019.

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 $1,733,840 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) Leasing arrangements (lessee)-right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable; and

(b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Operating leases (lessee)

Prior to 2019, 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.

(16) 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.

(17) 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.

(18) 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.

(19) 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.

(20) 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.

(21) 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'.

(22) <u>Derecognition of financial liabilities</u>

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

(23) <u>Offsetting financial instruments</u>

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.

(24) <u>Employee benefits</u>

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.

(25) 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'.

(26) 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 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.

G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(27) Share capital

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.

(28) 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.

(29) 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.

(30) 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.

(31) 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 September 30, 2019, the carrying amount of inventories was $1,180,077.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand and revolving funds	$ 2,631	$ 2,583	$ 1,572
Checking accounts and demand deposits	2,258,003	2,509,360	3,135,853
Time deposits	2,201,915	2,554,042	2,017,726
	4,462,549	5,065,985	5,155,151
Less: shown as 'current financial assets at amortised cost'	(437,990)	(648,440)	(1,076,537)
Less: shown as 'other current assets'	-	-	(3,200)
	$ 4,024,559	$ 4,417,545	$ 4,075,414

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 September 30, 2019, December 31, 2018 and September 30, 2018, the Group recognised time deposits with maturity over 3 months of $437,990, $648,440 and $1,076,537, respectively, and shown as "current financial assets at amortised cost".

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	September 30, 2019	December 31, 2018	September 30, 2018
Non-current items:			
Equity instruments			
Listed stocks	$ 12,604	$ 12,604	$ 12,604
Unlisted stocks	24,820	24,820	22,540
	37,424	37,424	35,144
Valuation adjustment	(11,576)	(11,576)	(11,576)
	$ 25,848	$ 25,848	$ 23,568

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, $25,848 and $23,568 as at September 30, 2019, December 31, 2018 and September 30, 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 September 30, 2019, December 31, 2018 and September 30, 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 amounted to $25,848, $25,848 and $23,568, respectively.

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).

(3) Notes and accounts receivable

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable	$ 5,156	$ 24,916	$ 12,113
Less: Allowance for uncollectible accounts	-	-	-
	$ 5,156	$ 24,916	$ 12,113
Accounts receivable	550,799	$ 576,601	$ 353,777
Less: Allowance for uncollectible accounts	(55,942)	(56,552)	(56,372)
	$ 494,857	$ 520,049	$ 297,405

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

	September 30, 2019		December 31, 2018		September 30, 2018	
Not past due	$	337,083	$	447,762	$	252,470
Up to 30 days		108,044		62,127		38,081
31 to 90 days		44,559		19,627		11,582
Over 90 days		10,327		15,449		7,385
	$	500,013	$	544,965	$	309,518

The above ageing analysis was based on past due date.

B. As of September 30, 2019, December 31, 2018 and September 30, 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to $435,532.

C. As at September 30, 2019, December 31, 2018 and September 30, 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 amounted to $5,156, $24,916 and $12,113, $494,857, $520,049 and $297,405, respectively.

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

(4) Inventories

	September 30, 2019					
	Cost		Allowance for valuation loss		Book value	
Raw materials	$	935,546	($	31,125)	$	904,421
Work in progress		47,536	(	173)		47,363
Finished goods		241,251	(	12,958)		228,293
	$	1,224,333	($	44,256)	$	1,180,077

	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

	September 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 593,488	($ 40,362)	$ 553,126
Work in progress	77,965	(177)	77,788
Finished goods	423,921	(39,439)	384,482
	$ 1,095,374	($ 79,978)	$ 1,015,396

A. The cost of inventories recognised as expense for the three-month and the nine-month periods ended September 30, 2019 and 2018, was $1,237,840, $1,339,952, $4,180,973 and $3,049,789, respectively, including the amounts of $0, $1,009, ($35,473) and $36,060, 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 for the nine month period ended September 30, 2019.

(5) Property, plant and equipment

	Land	Buildings and structures	Machinery	Office equipment	Others	Total
At January 1, 2019						
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
2019						
At January 1	$ 159,301	$ 1,016,857	$ 478,605	$ 146,157	$ 124,456	$ 1,925,376
Additions	201,305	44,099	50,570	2,568	7,615	306,157
Disposals	-	(172)	(5,747)	(202)	(531)	(6,652)
Reclassifications	139,043	19,159	226,662	10,506	33,743	429,113
Depreciation charge	-	(33,302)	(78,929)	(15,550)	(31,198)	(158,979)
Net exchange differences	-	(5,464)	(2,350)	(74)	(562)	(8,450)
At September 30	$ 499,649	$ 1,041,177	$ 668,811	$ 143,405	$ 133,523	$ 2,486,565
At September 30, 2019						
Cost	$ 499,649	$ 1,169,420	$ 951,814	$ 216,765	$ 296,875	$ 3,134,523
Accumulated depreciation	-	(128,243)	(283,003)	(73,360)	(163,352)	(647,958)
	$ 499,649	$ 1,041,177	$ 668,811	$ 143,405	$ 133,523	$ 2,486,565

	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	-	3,647	11,289	5,814	19,722	40,472
Disposals	(15,403)	(46,804)	-	-	(853)	(63,060)
Reclassifications	-	66,335	171,545	81,861	19,983	339,724
Depreciation charge	-	(27,950)	(51,438)	(13,193)	(22,139)	(114,720)
Net exchange differences	-	(6,024)	(1,860)	(47)	(721)	(8,652)
At September 30	$ 159,301	$ 1,016,393	$ 446,507	$ 146,512	$ 108,894	$ 1,877,607
At September 30, 2018						
Cost	$ 159,301	$ 1,107,479	$ 634,506	$ 200,380	$ 237,372	$ 2,339,038
Accumulated depreciation	-	(91,086)	(187,999)	(53,868)	(128,478)	(461,431)
	$ 159,301	$ 1,016,393	$ 446,507	$ 146,512	$ 108,894	$ 1,877,607

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

(6) Leasing arrangements-lessee

Effective 2019

A. The Group leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 1 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	September 30, 2019
	Carrying amount
Land	$ 29,400
Buildings	82,019
Transportation equipment (Business vehicles)	1,959
	$ 113,378

	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2019
	Depreciation charge	Depreciation charge
Land	$ 174	$ 531
Buildings	9,924	27,774
Transportation equipment (Business vehicles)	267	906
	$ 10,365	$ 29,211

C. 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.

D. For the three-month and nine-month periods ended September 30, 2019, the additions to right-of-use assets amounted to $10,003 and $13,483, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 383	$ 1,176
Expense on short-term lease contracts	$ 12,497	$ 39,038
Expense on leases of low-value assets	$ 5,379	$ 12,543

For the three-month and nine-month periods ended September 30, 2019, the Group's total cash outflow for leases amounted to $10,068 and $28,811, respectively.

(7) Intangible assets

	Goodwill	Trademarks	Software	Royalty	Others	Total
At January 1, 2019						
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
2019						
At January 1	$ 1,468	$ -	$ 14,916	$ 2,271	$ 6,611	$ 25,266
Additions－ acquired separately	-	-	11,273	-	-	11,273
Amortisation charge	-	-	(7,602)	(300)	(1,654)	(9,556)
At September 30	$ 1,468	$ -	$ 18,587	$ 1,971	$ 4,957	$ 26,983
At September 30, 2019						
Cost	$ 1,468	$ -	$ 34,183	$ 2,750	$ 6,611	$ 45,012
Accumulated amortisation	-	-	(15,596)	(779)	(1,654)	(18,029)
	$ 1,468	$ -	$ 18,587	$ 1,971	$ 4,957	$ 26,983

	Goodwill	Trademarks	Software	Royalty	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	6,756	-	120	-	6,876
Additions－acquired separately	-	-	11,389	-	11,389
Amortisation charge	-	-	(9,730)	(188)	(9,918)
At September 30	$ 13,196	$ -	$ 18,622	$ 2,196	$ 34,014
At September 30, 2018					
Cost	$ 13,196	$ -	$ 35,391	$ 2,600	$ 51,187
Accumulated amortisation	-	-	(16,769)	(404)	(17,173)
	$ 13,196	$ -	$ 18,622	$ 2,196	$ 34,014

Details of amortisation on intangible assets are as follows:

	Three-month periods ended September 30,	
	2019	2018
Overhead	$ -	$ -
Selling expenses	563	-
Administrative expenses	3,512	3,502
Research and development expenses	103	125
	$ 4,178	$ 3,627

	Nine-month periods ended September 30,	
	2019	2018
Overhead	$ -	$ 94
Selling expenses	1,712	-
Administrative expenses	7,534	9,493
Research and development expenses	310	331
	$ 9,556	$ 9,918

(8) Other non-current assets

	September 30, 2019	December 31, 2018	September 30, 2018
Prepayments for construction business facilities	$ 1,716,333	$ 961,348	$ 505,122
Guarantee deposits paid	33,279	27,280	21,627
Pledged deposit	-	500	500
Land use right	-	30,750	30,676
Other non-current assets	9,373	11,550	8,833
	$ 1,758,985	$ 1,031,428	$ 566,758

A. 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 $176 and $539 for the three-month and nine-month periods ended September 30, 2018, respectively.

B. In line with IFRS 16, the Group reclassified the lease contracts of lessees to right-of-use assets on January 1, 2019, which were presented as land use rights (listed as other non-current assets) as of the previous balance sheet date, December 31, 2018.

(9) Short-term borrowings

Type of borrowings	September 30, 2019	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 300,000	1.05%~1.09%	Land and buildings and structures for pledges
Unsecured borrowings	200,000	1.07%	NONE
	$ 500,000		

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		

Type of borrowings	September 30, 2018	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 30,000	1.98%～2.20%	SME Credit Guarantee Fund and associated guarantor guarantee

(10) Financial (assets) liabilities at fair value through profit or loss

Items	September 30, 2019	December 31, 2018	September 30, 2018
Current items:			
Call and put options of corporate bonds	($ 261)	($ 301)	($ 374)
Valuation adjustment	369	386	2,526
	$ 108	$ 85	$ 2,152

Amounts recognised in net (loss) gain in relation to financial (assets) liabilities at fair value through profit or loss are ($92), $870, $17 and ($2,526) for the three-month and nine-month periods ended September 30, 2019 and 2018, respectively.

(11) Other payables

	September 30, 2019	December 31, 2018	September 30, 2018
Employee bonus payable	$ 207,589	$ 212,468	$ 134,971
Salaries and bonuses payable	455,753	359,012	269,871
Payable on machinery and equipment	91,920	64,134	10,231
Tax payables	20,812	12,469	58,539
Other payables	165,537	175,071	166,577
	$ 941,611	$ 823,154	$ 640,189

(12) Bonds payable

	September 30, 2019	December 31, 2018	September 30, 2018
Bonds payable	$ 435,400	$ 502,500	$ 623,800
Less: Discount on bonds payable	(4,728)	(8,054)	(11,019)
	430,672	494,446	612,781
Less: Current portion or exercise of put options	-	-	-
	$ 430,672	$ 494,446	$ 612,781

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) 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 September 30, 2019, the bonds totaling $67,100 (face value) had been converted into 184 thousand shares of common stock and all the registration procedures have been completed.

(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) 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 three-month and nine-month periods ended September 30, 2019 and 2018, were all 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 three-month and nine-month periods ended September 30, 2019 and 2018 were \$11,785, \$7,507,\$35,369 and \$22,518, respectively.

(14) Share-based payment

A. For the nine-month periods ended September 30, 2019 and 2018, 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 year 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)
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%

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	2019.09.04	900	3 years	Employees with 1 service year are entitled to 33% Employees with 2 service years are entitled to 66% Employees with 3 service years are entitled to 100% Profit rate before tax in the previous financial statements is no less than 20%

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:

	Nine-month periods ended September 30,			
	2019		2018	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	1,318	$ 100	2,000	$ 100
Options expired	(53)	100	(102)	100
Options exercised	(521)	100	(526)	100
Options outstanding at the end of the period	744	$ 100	1,372	$ 100
Options exercisable at the end of the period	36	$ 100	89	$ 100

	Nine-month periods ended September 30,			
	2019		2018	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	1,945	$ 448	-	$ -
Options expired	(114)	448	(102)	100
Options granted	-	-	2,000	448
Options outstanding at the end of the period	1,831	$ 448	1,898	$ 548
Options exercisable at the end of the period	-	$ -	-	$ -

C. The weighted-average stock price of stock options at exercise dates for the three-month and nine-month periods ended September 30, 2019 and 2018 was $353.39, $536.31, $423.88 and $536.31, respectively.

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

		September 30 , 2019		December 31, 2018		September 30 , 2018	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2016.07.01	2022.06.30	744	$ 100	1,263	$ 100	1,372	$ 100
2018.05.15	2024.05.14	1,831	448	2,000	448	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	2.75	-	0.605~ 0.719	$ 72.32~ 82.12
Restricted stocks to employee	2016.08.05	$ 139.00	$ 10	32.73	-	-	0.52	$ 111.65
Employee stock options	2018.05.15	$ 440.00	$ 448	26.10~ 30.25	4.75	-	0.5636~ 0.6814	$ 63.16~ 106.15
Restricted stocks to employee	2019.09.04	$ 282.00	$ 10	-	1.50	-	-	$ 272.00

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:

	Three-month periods ended September 30,	
	2019	2018
Equity-settled	$ 45,347	$ 20,734

	Nine-month periods ended September 30,	
	2019	2018
Equity-settled	$ 75,903	$ 53,753

G. On June 26, 2019, the Company issued 900 thousand shares of employee restricted ordinary shares as approved by the regulatory authority and the related information is provided in Note 6(14). The exercise price is $10 (in dollars) per share and the fair value is determined based on the closing price of $282 at the grant date less the exercise price of $10. The information relating to the restrictions on the shareholder's right is provided in Note 6(14). Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

(15) Share capital

As of September 30, 2019, the Company's authorised capital was $2,000,000, and the paid-in capital was $1,181,832, 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:(Share in thousands)

	2019		
	Private placement of ordinary share	Unrestricted shares	Total
At January 1	-	102,232	102,232
Stock dividends	-	15,391	15,391
Employee stock options exercised	-	42	42
Conversion of corporate bonds	-	518	518
At September 30	-	118,183	118,183

	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
Conversion of corporate bonds	-	58	58
At September 30	-	100,122	100,122

(16) 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.

(17) 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 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 May 16, 2019, the stockholders approved 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(24).

(18) Other equity items

	2019			
	Unrealized gains (losses) on valuation	Currency translation	Unearned employee compensation	Total
At January 1	($ 11,576)	($ 156,770)	($ 4,425)	($ 172,771)
Currency translation differences	-	(117,245)	-	(117,245)
Compensation cost of share–based payments	-	-	(162,293)	(162,293)
At September 30	($ 11,576)	($ 274,015)	($ 166,718)	($ 452,309)

	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	-	(83,010)	-	(83,010)
Compensation cost of share–based payments	-	-	12,205	12,205
At September 30	($ 11,576)	($ 175,271)	($ 6,302)	($ 193,149)

Amounts that the Group recognised in other comprehensive income due to the change in fair value and the amounts that the Group transferred from other equity to profit and loss for the three-month and nine-month periods ended September 30, 2019 and 2018 are all $0.

(19) Operating revenue

	Nine-month periods ended September 30,	
	2019	2018
Revenue from contracts with customers	$ 7,236,723	$ 5,305,763

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:

Three-month periods ended September 30, 2019	Europe and America region	Asia Pacific region	Total
Total segment revenue	$ 140,472	$ 3,255,739	$ 3,396,211
Inter-segment revenue	(27,754)	(1,297,558)	(1,325,312)
Revenue from external customer contracts	$ 112,718	$ 1,958,181	$ 2,070,899

Three-month periods ended September 30, 2018	Europe and America region	Asia Pacific region	Total
Total segment revenue	$ 173,731	$ 3,376,582	$ 3,550,313
Inter-segment revenue	-	(1,140,082)	(1,140,082)
Revenue from external customer contracts	$ 173,731	$ 2,236,500	$ 2,410,231

Nine-month periods ended September 30, 2019	Europe and America region	Asia Pacific region	Total
Total segment revenue	$ 471,382	$ 10,676,405	$ 11,147,787
Inter-segment revenue	(112,006)	(3,799,058)	(3,911,064)
Revenue from external customer contracts	$ 359,376	$ 6,877,347	$ 7,236,723

Nine-month periods ended September 30, 2018	Europe and America region	Asia Pacific region	Total
Total segment revenue	$ 309,095	$ 7,499,889	$ 7,808,984
Inter-segment revenue	-	(2,503,221)	(2,503,221)
Revenue from external customer contracts	$ 309,095	$ 4,996,668	$ 5,305,763

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

B. Contract assets and liabilities

As of September 30, 2019, December 31, 2018, September 30, 2018 and January 1, 2018 the Group has not recognized any revenue-related contract assets, while the Group has recognized contract liabilities below:

	September 30, 2019	December 31, 2018	September 30, 2018	January 1, 2018
Contract liabilities – advance sales receipts	$ 812,349	$ 1,229,641	$ 1,622,555	$ 226,275

(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:

	Three-month periods ended September 30,	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	$ 101,676	$ -

	Nine-month periods ended September 30,	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	$ 1,072,821	$ 226,275

(20) Other income

	Three-month periods ended September 30,	
	2019	2018
Interest income:		
Interest income from bank deposits	$ 27,440	$ 7,793
Other income-others	65,242	22,089
	$ 92,682	$ 29,882

	Nine-month periods ended September 30,	
	2019	2018
Interest income:		
Interest income from bank deposits	$ 49,095	$ 18,911
Other income-others	124,814	73,387
	$ 173,909	$ 92,298

(21) Other gains and losses

	Three-month periods ended September 30,	
	2019	2018
(Losses) gains on disposal of property, plant and equipment	($ 3,768)	$ 37,154
Foreign exchange losses	(16,037)	(13,060)
(Losses) gains on financial assets (liabilities) at fair value through profit or loss	(92)	870
Miscellaneous (disbursements) income	-	390
	($ 19,897)	$ 25,354

	Nine-month periods ended September 30,	
	2019	2018
(Losses) gains on disposal of property, plant and equipment	(3,839)	37,828
Foreign exchange losses	(12,530)	(6,607)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	17	(2,526)
Miscellaneous disbursements	(419)	(11,253)
	($ 16,771)	$ 17,442

(22) Finance costs

	Three-month periods ended September 30,	
	2019	2018
Interest expense		
Bank borrowings	$ 151	$ 244
Convertible bonds	716	1,757
Leases	383	-
	$ 1,250	$ 2,001

	Nine-month periods ended September 30,	
	2019	2018
Interest expense		
Bank borrowings	$ 218	$ 1,419
Convertible bonds	2,319	2,240
Leases	1,176	-
	$ 3,713	$ 3,659

(23) Expenses by nature

	Three-month periods ended September 30,	
	2019	2018
Employee benefit expense	$ 389,623	$ 370,731
Depreciation charges on property, plant and equipment	68,998	43,262
Operating lease payments	17,876	17,494
Amortisation charges on intangible assets	4,178	3,627
	$ 480,675	$ 435,114

	Nine-month periods ended September 30,	
	2019	2018
Employee benefit expense	$ 1,162,870	$ 886,062
Depreciation charges on property, plant and equipment	188,190	114,720
Operating lease payments	51,581	39,456
Amortisation charges on intangible assets	9,556	9,918
	$ 1,412,197	$ 1,050,156

(24) Employee benefit expense

	Three-month periods ended September 30,	
	2019	2018
Wages and salaries	$ 294,611	$ 309,714
Employee stock options (Note)	45,347	20,734
Labour and health insurance fees	21,116	18,100
Pension costs	11,785	7,507
Other personnel expenses	16,764	14,676
	$ 389,623	$ 370,731

	Nine-month periods ended September 30,	
	2019	2018
Wages and salaries	$ 941,736	$ 735,527
Employee stock options (Note)	75,903	53,753
Labour and health insurance fees	61,366	40,360
Pension costs	35,369	22,518
Other personnel expenses	48,496	33,904
	$ 1,162,870	$ 886,062

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 three-month and nine-month periods ended September 30, 2019 and 2018, employees' compensation was accrued at $27,943, $20,400, $109,940 and $91,200, respectively; while directors' and supervisors' remuneration was accrued at $525, $525, $1,575 and $1,575, 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 period for the nine-month periods ended September 30, 2019.

Employees' compensation and directors' and supervisors' remuneration of 2018 as resolved by the Board of Directors were $150,000 and $3,150, respectively, and were in agreement with those amounts recognised in the 2018 financial statements. And the employees' compensation will be distributed in the form of cash.

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.

(25) Income tax

A. Income tax expense

Components of income tax expense:

	Three-month periods ended September 30, 2019	2018
Current tax:		
Current tax on profits for the year	$ 58,747	$ 129,411
Tax on undistributed surplus earnings	1,150	-
Effect from investment tax credits	(671)	-
Prior year income tax overestimation	(684)	46
Total current tax	58,542	129,457
Deferred tax:		
Origination and reversal of temporary differences	11,841	(8,692)
Prior year deferred tax asset (under) overestimation	(4,255)	6,336
Impact of change in tax rate	-	(1,866)
Total deferred tax	7,586	(4,222)
Income tax expense	$ 66,128	$ 125,235

	Nine-month periods ended September 30,	
	2019	2018
Current tax:		
Current tax on profits for the year	$ 321,478	$ 251,722
Tax on undistributed surplus earnings	35,273	25,329
Effect from investment tax credits	(34,763)	-
Prior year income tax overestimation	(52,278)	(12,473)
Total current tax	269,710	264,578
Deferred tax:		
Origination and reversal of temporary differences	21,429	(19,480)
Prior year deferred tax asset (under) overestimation	(7,473)	732
Impact of change in tax rate	-	(4,003)
Total deferred tax	13,956	(22,751)
Income tax expense	$ 283,666	$ 241,827

B. Aside from 2016, the Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

C. 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.

(26) Earnings per share

A. Earnings per share of common stock

	Three-month period ended September 30, 2019		
	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	$ 360,775	118,737	$ 3.04
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 360,775		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	3,782	1,197	
Employee' stock option	-	805	
Employees' compensation	-	352	
Restricted stocks	-	104	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 364,557	121,195	$ 3.01

	Three-month period ended September 30, 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	$ 576,937	115,787	$ 4.98
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 576,937		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	1,406	1,715	
Employee' stock option	-	1,087	
Employees' compensation	-	186	
Restricted stocks	-	62	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 578,343	118,837	$ 4.87

	Nine-month period ended September 30, 2019		
	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	$ 1,608,270	118,292	$ 13.60
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,608,270		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	3,782	1,197	
Employee' stock option	-	840	
Employees' compensation	-	410	
Restricted stocks	-	104	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,612,052	120,843	$ 13.34

	Nine-month period ended September 30, 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	$ 1,134,411	115,531	$ 9.82
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,134,411		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	1,816	1,715	
Employee' stock option	-	1,259	
Employees' compensation	-	224	
Restricted stocks	-	186	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,136,227	118,915	$ 9.55

Note : For the three-month and nine-month periods ended September 30, 2019 and 2018, the weighted average circulation of shares has been retrospectively adjusted to the number of shares of the Company's stock dividends in 2019.

(27) 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:

		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 intangible assets-goodwill acquired from the business combination amounted to $1,468. The consideration paid for the business combination was included in the benefit that is expected to be generated from the synergies of the business combination, growth of revenue, future development of market and employee value of TCI LIVING CO., LTD., which could not be recognised separately because they did not meet the recognition criteria of identifiable intangible assets.

(28) Operating leases

Prior to 2018

The Group leases land and plant under non-cancellable operating lease agreements. The lease terms are between 2 and 15 years. Some leases incur additional rent expense following the changes in local price indexes. The Group recognised rental expenses of $17,494 and $39,456 for these leases in profit or loss for the three-month and nine-month periods ended September 30, 2018, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	September 30, 2018
Not later than one year	$ 43,304	$ 34,972
Later than one year but not later than five years	59,901	57,044
Later than five years	7,929	3,211
	$ 111,134	$ 95,227

(29) Supplemental cash flow information

A. Investing activities with partial cash payments

	Nine-month periods ended September 30,	
	2019	2018
Purchase of property, plant and equipment	$ 306,157	$ 40,472
Add: Opening balance of payable on equipment	64,134	12,310
Less: Ending balance of payable on equipment	(91,920)	(10,231)
Cash paid during the period	$ 278,371	$ 42,551

	Nine-month periods ended September 30,	
	2019	2018
Purchase of intangible assets	$ 11,273	$ 11,389
Less: Ending balance of payable	-	-
Cash paid during the period	$ 11,273	$ 11,389

B. Financing activities with no cash flow effects

	Nine-month periods ended September 30,	
	2019	2018
Convertible bonds being converted to capital stocks	$ 66,052	$ 569,422

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions

A. Operating revenue:

	Three-month period ended September 30, 2019	For the period from July 1 to August 30, 2018
Sales of goods:		
Other related parties	$ -	$ 5,290

	Nine-month period September 30, 2019	For the period from January 1 to August 30, 2018
Sales of goods:		
Other related parties	$ -	$ 15,617

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

B. Purchases:

	Three-month period ended September 30, 2019	For the period from July 1 to August 30, 2018
Purchases of goods:		
Other related parties	$ -	$ 142
Purchase and processing fees:		
Other related parties	$ 118,961	$ -

	Nine-month period ended September 30, 2019	For the period from January 1 to August 30, 2018
Purchases of goods:		
Other related parties	$ -	$ 730
Purchase and processing fees:		
Other related parties	$ 186,852	$ -

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

(b) The transaction prices and payment terms to associates have no similar transactions for comparison. The payment term is 30~60 days after monthly billings.

C. Payables to related parties:

	September 30, 2019	December 31, 2018	September 30, 2018
Accounts payable:			
Other related party	$ 48,479	$ -	$ -

(3) Key management compensation

	Three-month periods ended September 30, 2019	Three-month periods ended September 30, 2018
Salaries and other short-term employee benefits	$ 39,482	$ 23,015
Share-based payments	30,351	12,219
	$ 69,833	$ 35,234

	Nine-month periods ended September 30, 2019	Nine-month periods ended September 30, 2018
Salaries and other short-term employee benefits	$ 68,202	$ 44,481
Share-based payments	44,748	30,025
	$ 112,950	$ 74,506

(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	September 30, 2019	December31, 2018	September 30, 2018	Purpose
Property, plant and equipment	$ 395,439	$ 410,222	$ 599,504	Short-term and long-term borrowings
Other current assets	-	-	3,200	Subsidiaries' short-term borrowings
Other non-current assets	-	500	500	Contract security deposit
	$ 395,439	$ 410,722	$ 603,204	

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:

	September 30, 2019	December 31, 2018	September 30, 2018
Property, plant and equipment	$ 524,374	$ 907,454	$ 1,286,478

B. As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group's total unused letters of credit was $190,682, $311,694 and $394,594, respectively.

C. On June 26, 2019, the Board of Directors of the Group's subsidiary, TCI Living CO., LTD. resolved to merge with AQUAGEN CO., LTD.. However, the effective date for the merger has not been determined.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. On October 30, 2019, the Board of Directors of the Company resolved to establish a subsidiary in the Netherlands for an amount not exceeding EUR 10 million.

B. To expand the scope of the Company's operations, the Board of Directors resolved to authorise the Chairman to enter into a contract to acquire an office amounting to NT$188 million, plus or minus 10%.

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

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets			
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	$ 25,848	$ 25,848	$ 23,568
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	$ 4,024,559	$ 4,417,545	$ 4,075,414
Financial assets at amortised cost	437,990	648,440	1,076,537
Notes receivable	5,156	24,916	12,113
Accounts receivable	494,857	520,049	297,405
Other receivables	17,543	38,282	28,394
Guarantee deposits paid	33,279	27,280	21,627
Other financial assets	-	-	3,200
	$ 5,013,384	$ 5,676,512	$ 5,514,690

	September 30, 2019	December 31, 2018	September 30, 2018
Financial liabilities			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	$ -	$ -	$ 2,152
Financial liabilities designated as at fair value through profit or loss	108	85	-
	$ 108	$ 85	$ 2,152
Financial liabilities at amortised cost			
Short-term borrowings	$ 500,000	$ 12,000	$ 30,000
Notes payable	63,889	253,201	7,475
Accounts payable	983,983	1,335,590	1,151,816
Accounts payable-related parties	48,479	-	-
Other accounts payable	941,611	823,154	640,189
Corporate bonds payable (including current portion)	430,672	494,446	612,781
	$ 2,968,634	$ 2,918,391	$ 2,442,261

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:

(Foreign currency: functional currency)		September 30, 2019 Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets				
Monetary items				
RMB:NTD	RMB	153,801	4.5210	$ 695,334
USD:NTD	USD	10,839	31.0600	336,659
JPY:NTD	JPY	316,172	0.2886	91,247
SGD:NTD	SGD	3,071	22.9700	70,541
Financial liabilities				
Monetary items				
JPY:NTD	JPY	1,058,731	0.2886	$ 305,550
RMB:NTD	RMB	108,450	4.5210	490,302
USD:NTD	USD	1,218	31.0600	37,831
EUR:NTD	EUR	877	35.3800	31,028

(Foreign currency: functional currency)		December 31, 2018 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)		September 30, 2018		
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets				
Monetary items				
RMB:NTD	RMB	137,284	4.4360	$ 608,992
USD:NTD	USD	7,473	30.5250	228,113
EUR:NTD	EUR	1,713	35.4800	60,777
SGD:NTD	SGD	1,698	22.3300	37,916
Financial liabilities				
Monetary items				
RMB:NTD	RMB	12,594	4.4360	$ 55,867
JPY:NTD	JPY	202,851	0.2692	54,607
USD:NTD	USD	627	30.5250	19,139
EUR:NTD	EUR	350	35.4800	12,418

iii. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2019 and 2018, amounted to $16,037, $13,060, $12,530 and $6,607, respectively.

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

(Foreign currency: functional currency)	Nine-month period ended September 30, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
RMB:NTD	1%	$ 6,953	$ -
USD:NTD	"	3,367	-
JPY:NTD	"	912	-
SGD:NTD	"	705	-
Financial liabilities			
Monetary items			
JPY:NTD	1%	$ 3,055	$ -
RMB:NTD	"	4,903	-
USD:NTD	"	378	-
EUR:NTD	"	310	-

(Foreign currency: functional currency)	Nine-month period ended September 30, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
RMB:NTD	1%	$ 6,089	$ -
USD:NTD	"	2,281	-
EUR:NTD	"	608	-
SUD:NTD	"	379	-
Financial liabilities			
Monetary items			
RMB:NTD	1%	$ 559	$ -
JPY:NTD	"	546	-
USD:NTD	"	191	-
EUR:NTD	"	124	-

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 and financial assets at fair value through other comprehensive income. 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 nine-month periods ended September 30, 2019 and 2018 would have increased/decreased by $258 and $236, respectively, as a result of other comprehensive income classified as 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 the nine-month periods ended September 30, 2019 and 2018, 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 nine-month periods ended September 30, 2019 and 2018 would have increased/decreased by $300 and $18, 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 September 30, 2019, December 31, 2018 and September 30, 2018, the loss rate methodology is as follows:

	Group A	Group B	Group C	Group D	Total
At September 30, 2019					
Expected loss rate	0.23%	20.23%	100.00%	100.00%	
Total book value	$ 379,155	$ 152,603	$ 10,327	$ 13,870	$ 555,955
Loss allowance	$ 872	$ 30,873	$ 10,327	$ 13,870	$ 55,942
	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

	Group A	Group B	Group C	Group D	Total
At September 30, 2018					
Expected loss rate	0.23%	20.23%	100.00%	100.00%	
Total book value	$ 270,524	$ 49,663	$ 7,385	$ 38,318	$ 365,890
Loss allowance	$ 622	$ 10,047	$ 7,385	$ 38,318	$ 56,372

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

	2019	
	Accounts receivable	Notes receivable
At January 1	$ 56,552	$ -
Provision for impairment	2,055	-
Write-offs	(1,779)	-
Effect of foreign exchange	(886)	-
At September 30	$ 55,942	$ -

	2018	
	Accounts receivable	Notes receivable
At January 1	$ 16,374	$ -
Provision for impairment	39,865	-
Effect of foreign exchange	(1,055)	-
Business combination	1,188	-
At September 30	$ 56,372	$ -

(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 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 September 30, 2019, December 31, 2018 and September 30, 2018, the Group has undrawn borrowing facilities of $1,474,277, $904,344 and $840,335, 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:

September 30, 2019	Less than 3 months	3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	$ 300,000	$ 200,000	$ -	$ -
Notes payable	63,889	-	-	-
Accounts payable (including related parties)	1,032,462	-	-	-
Other payables	734,022	207,589	-	-
Guarantee deposits received	-	-	11,310	-
Convertible bonds	-	-	439,820	-

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	1,335,590	-	-	-
Other payables	610,686	212,468	-	-
Guarantee deposits received	-	-	11,627	-
Convertible bonds	-	-	-	507,600

Non-derivative financial liabilities:

September 30, 2018	Less than 3 months	3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	$ 18,000	$ 12,000	$ -	$ -
Notes payable	7,475	-	-	-
Accounts payable	1,151,816	-	-	-
Other payables	318,356	321,833	-	-
Guarantee deposits received	11,479	-	-	-
Convertible bonds	-	-	-	623,800

(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:

September 30, 2019	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	$ -	$ 108	$ -	$ 108

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

September 30, 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	$ -	$ 22,372	$ 23,568
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Corporate bonds	$ -	$ 2,152	$ -	$ 2,152

(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 nine-month periods ended September 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.

E. For the nine-month period ended September 30, 2019, no Level 3 financial instrument was changed. And the following chart is the movement of Level 3 for the nine-month period ended September 30, 2018:

	2018	
	Equity instrument-unlisted shares	
At January 1	$	3,057
Acquired in the period		22,000
Sold in the period	(	2,685)
At September 30	$	22,372

F. For the nine-month periods ended September 30, 2019 and 2018, 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 September 30, 2019		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, 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 September 30, 2018		Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	$	22,372	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:

			September 30, 2019			
			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, 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

			September 30, 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%	$ -	$ -	$ 1,119	$ 1,119

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: Please refer to table 2.

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 3.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(10) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

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) 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
Three-month period ended September 30, 2019					
Revenue from external customers	$ 431,244	$ 1,607,162	$ 32,493	$ -	$ 2,070,899
Revenue from internal customers	1,004,139	321,173	-	(1,325,312)	-
Segment revenue	$ 1,435,383	$ 1,928,335	$ 32,493	($ 1,325,312)	$ 2,070,899
Segment income (loss)	$ 509,723	$ 444,585	($ 291)	($ 588,603)	$ 365,414
Segment income / loss, including:					
Depreciation and amortisation	$ 51,954	$ 20,929	$ 293	$ -	$ 73,176
Interest income	478	26,962	-	-	27,440
Interest expense	1,030	220	-	-	1,250
Income tax expense	33,094	33,031	3	-	66,128
Investment profit or loss which is adopting equity method	226,350	121,860	-	(348,210)	-

	Taiwan	Asia	Others	Adjustment and reversal	Total
Three-month period ended September 30, 2018					
Revenue from external customers	$ 428,024	$ 1,967,035	$ 15,172	$ -	$ 2,410,231
Revenue from internal customers	1,040,716	99,366	-	(1,140,082)	-
Segment revenue	$ 1,468,740	$ 2,066,401	$ 15,172	($ 1,140,082)	$ 2,410,231
Segment income	$ 796,133	$ 811,396	$ 1,080	($ 1,027,781)	$ 580,828
Segment income / loss, including:					
Depreciation and amortisation	$ 38,671	$ 8,218	$ -	$ -	$ 46,889
Interest income	45	7,748	-	-	7,793
Interest expense	2,001	-	-	-	2,001
Income tax expense	35,457	89,778	-	-	125,235
Investment profit or loss which is adopting equity method	461,125	134,648	-	(595,773)	-

	Taiwan	Asia	Others	Adjustment and reversal	Total
Nine-month period ended September 30, 2019					
Revenue from external customers	$ 1,252,466	$ 5,856,406	$ 127,851	$ -	$ 7,236,723
Revenue from internal customers	3,332,199	578,865	-	(3,911,064)	-
Segment revenue	$ 4,584,665	$ 6,435,271	$ 127,851	($ 3,911,064)	$ 7,236,723
Segment income	$ 2,143,404	$ 1,797,971	$ 488	($ 2,316,668)	$ 1,625,195
Segment income / loss, including:					
Depreciation and amortisation	$ 143,350	$ 53,619	$ 777	$ -	$ 197,746
Interest income	2,282	46,813	-	-	49,095
Interest expense	3,058	655	-	-	3,713
Income tax expense	154,160	129,503	3	-	283,666
Investment profit or loss which is adopting equity method	839,889	506,774	-	(1,346,663)	$ -
Segment total assets	$ 12,751,466	$ 10,647,644	$ 72,231	($ 12,646,788)	$ 10,824,553
Segment assets including:					
Investment which is adopting equity method	$ 3,940,103	$ 2,083,189	$ -	($ 6,023,292)	$ -
Capital expenditure of non-current asset	1,301,835	214,125	963	-	1,516,923
Segment total liabilities	$ 3,083,024	$ 1,831,831	$ 63,435	($ 898,487)	$ 4,079,803

	Taiwan	Asia	Other	Adjustment and reversal	Total
Nine-month period ended September 30, 2018					
Revenue from external customers	$ 1,048,440	$ 4,242,151	$ 15,172	$ -	$ 5,305,763
Revenue from internal customers	2,219,937	283,284	-	(2,503,221)	-
Segment revenue	$ 3,268,377	$ 4,525,435	$ 15,172	($ 2,503,221)	$ 5,305,763
Segment income	$ 1,692,934	$ 1,775,547	$ 1,080	($ 2,323,905)	$ 1,145,656
Segment income / loss, including:					
Depreciation and amortisation	$ 99,987	$ 24,651	$ -	$ -	$ 124,638
Interest income	324	18,587	-	-	18,911
Interest expense	3,659	-	-	-	3,659
Income tax expense	65,733	176,094	-	-	241,827
Investment profit or loss which is adopting equity method	989,182	245,086	-	(1,234,268)	-
Segment total assets	$ 9,001,687	$ 7,238,759	$ 38,569	($ 7,024,187)	$ 9,254,828
Segment assets including:					
Investment which is adopting equity method	$ 2,658,979	$ 517,079	$ -	($ 3,176,058)	$ -
Capital expenditure of non-current asset	535,679	160,451	-	-	696,130
Segment total liabilities	$ 2,270,842	$ 2,312,667	$ 28,309	($ 289,903)	$ 4,321,915

For the three-month and nine-month periods ended September 30, 2019 and 2018, sales to Europe and America of reporting department-Taiwan amounted to $78,422, $173,731, $229,722 and $309,095, respectively, and sales to Europe and America of reporting department-others amounted to $34,296, $0, $129,654 and $0, respectively.

(3) 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 nine-month periods ended September 30, 2019 and 2018.

TCI CO., LTD.

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

September 30, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of September 30, 2019				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
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.

Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more

Nine-month period ended September 30, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
TCI CO., LTD.	Land and buildings located in Neihu Dist., Taipei City	2019/1/9	$ 54,250	Based on the agreement	CHAINWIN C.M.M CO., LTD.	-	Not applicable	Not applicable	Not applicable	Not applicable	Market prices and appraisal report	For expanding the scope of operations	None
TCI CO., LTD.	Land and buildings located in Neihu Dist., Taipei City	2019/1/9	184,342	Based on the agreement	LITE PUTER ENTERPRISE CO., LTD.	-	Not applicable	Not applicable	Not applicable	Not applicable	Market prices and appraisal report	For expanding the scope of operations	None

Note 1: 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 attributable to owners of the parent in the calculation.

Note 2: Date of the event referred to herein is the date of contract signing date, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

TCI CO., LTD.

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

Nine-month period ended September 30, 2019

Table 3

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 BioFunction Co., Ltd.	Subsidiary	(Sales)	$ 2,558,497	(57.61)	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.	$ 147,389	20.41	
TCI CO., LTD.	TCI BIOTECH LLC	Subsidiary	(Sales)	112,645	(2.54)	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.	46,560	6.45	
TCI CO., LTD.	TCI JAPAN CO., LTD.	Subsidiary	Purchases	305,442	10.44	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.	(85,264)	(8.01)	
TCI CO., LTD.	Shanghai BioTrade Co., Ltd.	Subsidiary	(Sales)	414,416	(9.33)	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.	201,590	27.93	
TCI JAPAN CO., LTD.	Daido Pharmaceutical Corporation	Other related party	Purchase and processing	186,852	64.39	30-60 days	No similar transaction can be compared with.	The payment term is 30~60 days after monthly billings	(48,479)	(34.03)	

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.

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

September 30, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2019		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	$ 147,389	8.67	$ -	-	$ 147,389	$ -

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.

Significant inter-company transactions during the reporting periods

Nine-month period ended September 30, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	TCI CO., LTD.	Shanghai BioFunction Co., Ltd.	1	Sales of goods	$ 2,558,497	The prices and terms of sales and purchases are available to third parties.	35.35
0	TCI CO., LTD.	Shanghai BioFunction Co., Ltd.	1	Accounts receivable	147,389	The prices and terms of sales and purchases are available to third parties.	1.36

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.

Information on investees

Nine-month period ended September 30, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at September 30, 2019	Initial investment amount: Balance as at December 31, 2018	Shares held as at September 30, 2019: Number of shares	Shares held as at September 30, 2019: Ownership (%)	Shares held as at September 30, 2019: Book value	Net profit (loss) of the investee for the nine-month ended September 30, 2019	Investment income(loss) recognised by the Company for the nine-month ended September 30, 2019	Footnote
TCI CO., LTD.	TCI FIRSTEK CORP.	R.O.C	Wholesale and retail of health foods and cosmetics	$ 43,685	$ 43,685	183,106,697	100.00	$ 2,681,931	$ 490,310	$ 490,310	None
TCI CO., LTD.	GENE & NEXT INC.	R.O.C	Research and development of biotechnology and genetics	64,250	64,250	6,425,000	61.19	97,838	43,609	26,684	None
TCI CO., LTD.	TCI HK LIMITED	Hong Kong	Trading health foods and cosmetics	21,046	21,046	-	100.00	13,830	(432)	(432)	None
TCI CO., LTD.	TCI BIOTECH LLC	U.S.A.	Trading health foods and cosmetics	8,778	8,778	-	100.00	8,796	488	488	None
TCI CO., LTD.	BioCosme Co., Ltd.	R.O.C	Trading health foods and cosmetics	5,000	5,000	500,000	100.00	5,004	4	4	None
TCI CO., LTD.	TCI JAPAN CO., LTD.	JAPAN	Trading health foods and cosmetics	15,626	-	5,500	100.00	22,540	6,646	6,646	None
GENE & NEXT INC.	GLUX HK LIMITED	Hong Kong	Trading health foods and cosmetics	29,542	29,542	-	100.00	6,832	(2,726)	(1,668)	None
GENE & NEXT INC.	TCI LIVING CO., LTD.	R.O.C	Trading health foods and cosmetics	43,175	43,175	2,760,000	100.00	36,928	2,581	1,579	None
TCI LIVING CO., LTD.	SBI GROUP HK LIMITED	Hong Kong	Trading health foods and cosmetics	-	-	-	100.00	4,128	2	2	None
TCI CO., LTD.	PT TCI BIOTEK INDO	Indonesia	Trading health foods and cosmetics	-	-	-	100.00	90	90	90	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 September 30, 2019.

TCI CO., LTD.

Information on investments in Mainland China

Nine-month period ended September 30, 2019

Table 7

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, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019	Net income of investee as of September 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019	Book value of investments in Mainland China as of September 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Shanghai BioTrade Co., Ltd.	Wholesale of health foods, cosmetics and chemical productions; cosmetic manufacturing	$ 15,830	Note 3	$ 15,440	$ -	$ -	$ 15,440	$ 488,182	100.00	$ 488,182	$ 2,792,959	$ 289,047	Note 5 Note 6
Shanghai BioScience Co., Ltd.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	26,100	Note 2	-	-	-	-	461,775	100.00	461,775	2,610,366	-	Note 5 Note 6
Shanghai BioCosme Co., Ltd.	Producing cosmetics	143,550	Note 2	-	-	-	-	21,047	100.00	21,047	141,295	-	Note 5 Note 6
Shanghai BioFunction Co., Ltd.	Producing health foods	1,398,321	Note 1	438,307	-	-	438,307	822,873	100.00	822,873	3,193,263	-	Note 5 Note 6
BIO DYNAMIC LABORATORIES INC.	Trading health foods and cosmetics	28,780	Note 3	-	-	-	-	(1,779)	61.19	(1,089)	5,789	-	Note 5 Note 6
SHANGHAI BIOTECH GENE TECHNOLOGY CO., LTD.	Research and development of biotechnology and genetics	43,500	Note 4	-	-	-	-	276	100.00	276	43,766	-	Note 5 Note 6

Note 1：Reinvestments in a company in Mainland China through parent company in Taiwan and Shanghai BioScience Co., Ltd.. (USD$14,400 and RMB$218,700)
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：Reinvestments in a company in Mainland China through Shanghai BioScience Co., Ltd.
Note 5：The financial statements that are reviewed and attested by R.O.C. parent company's CPA.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019	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	$ 776,000	$ 4,046,850
TCI FIRSTEK CORP.	15,440	15,440	1,669,547

Note 6：The numbers in this table are expressed in New Taiwan dollars, except for: assets and liabilities presents at RMB$1：NTD$4.3500, USD$1：NTD$31.0400; income presents at RMB$1：NTD$4.5183, USD$1：NTD$31.0600;
Note 7：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.

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

Nine-month period ended September 30, 2019

Table 8

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 September 30, 2019	%	Balance at September 30, 2019	Purpose	Maximum balance during the nine-month period ended September 30, 2019	Balance at September 30, 2019	Interest rate	Interest during the nine-month period ended September 30, 2019	Others
Shanghai BioFunction Co., Ltd.	$ 2,558,497	57.61	$ -	-	$ 147,389	20.41	$ -	-	$ -	$ -	-	$ -	

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.