



# 2020 年度年報



**TCI** 大江生醫  
股份有限公司  
Integrated Bioscience Design



2021年5月1日刊印  
公司網址：<http://www.tci-bio.com>  
年報查詢網址：<http://newmops.twse.com.tw>

# TCI Co., Ltd.

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## **I. Letter to Shareholders**

Dear Shareholders,

Affected by the pandemic in 2020, TCI suffered its first business recession in more than a decade, which made us accelerate our examination of our shortcomings, improve our technical capabilities and lean management, and achieve the highest gross profit margin, 45.5%, in the third quarter of 2020 and reached 55th place among all listed companies in terms of the operating net profit margin. Furthermore, TCI is looking to the future, accelerating its global deployment, and moving towards the goal of 2023- a global bioscience design trading company.

### **The operating plan adopted by the Company in 2021 is as follows:**

1. Make good products, bring the world to the customer, and bring the customer to the world.

Continuing the strategy for 2020, TCI takes customers as the core, is committed to serving large global customers, and also helping brand customers sell products globally, and focuses on the development of high-efficacy products with the advantages of R&D and global procurement strength, and make good differentiated products that are easy to market, efficient and cost-effective so as to bring the world to the customer, and bring the customer to the world!

2. Precise iManufacturing

TCI is continuously optimizing the production process, and its supply chain management is becoming more refined. In 2021, it will develop and import intelligent software by itself, and use the data-assisted decision making approach of the 3U strategy (ultra-automation, unlimited connection, iniquitousness) to achieve "precise imanufacturing": on-time production, less loss, fast shipping, low inventory!

3. A good working environment

In response to the pandemic, TCI will set up Virtual Global Offices (VGOs) all over the world in 2020 to use global talents to expand its business. While recruiting outstanding talents, it must also create a friendly and good working environment. In 2021, TCI will strive for recognition as Asia's Best Employer by Forbes and continue to promote corporate social responsibility, and for the glory of the first place, create ubiquitous administrative services for employees in virtual or real working environments, and create sustainable development opportunities for the environment!

TCI will continue to work hard to become the world's No. 1 global bioscience design trading company with revenue of more than NT\$ 200 billion.

## 2020 Financial Performance

### 1. Operational Results

Unit: NT\$ thousands

TCI Co., Ltd.				
Consolidated Income Statement				
Item	2020	2019	Difference	%
Net Revenue	8,223,851	9,566,132	(1,342,281)	-14%
Cost of Revenue	(4,634,123)	(5,550,645)	916,522	-17%
Gross Profit	3,589,728	4,015,487	(425,759)	-11%
Operating Expenses	(1,571,923)	(1,813,170)	241,247	-13%
Income from Operations	2,017,805	2,202,317	(184,512)	-8%
Other Operating Income and Expenses	180,416	202,914	(22,498)	-11%
Income before Income Tax	2,198,221	2,405,231	(207,010)	-9%
Income Tax Expenses	(345,483)	(367,265)	21,782	-6%
Net Income	1,852,738	2,037,966	(185,228)	-9%

### 2. Analysis of Financial Performance

- (1) In 2020, TCI's net revenue totaled NT\$ 8.223851 billion, a decrease of 14 percent compared with the NT\$ 9.566132 billion in 2019; the income from operations totaled NT\$ 2.017805 billion, a decrease of 8 percent compared with the NT\$ 2.202317 in 2019; the net income totaled NT\$ 1.852738, a decrease of 9 percent compared with the NT\$ 2.037966 in 2019.
- (2) In 2020, the gross profit margin was 43.65%, up 1.67% compared with the 41.98% in 2019; the operating income margin was 24.54%, up 1.52% compared with the 24.54% in 2019; the profit margin was 22.53%, up 1.23% compared with the 21.30% in 2019.
- (3) In 2020, the earnings per share was NT\$ 15.69, down 7.8% compared with the NT\$ 17.02 in 2019.

TCI sincerely thanks you again for your support. As you read this Report, you will be assured of the correctness of investing in TCI! Please continue to believe in TCI and hold your shares for a long term. For more information, you can refer to TCI's official website or scan the QR codes below. In 2021, TCI will work as hard as before in 2021 but in a better and smarter way to "join and delight consumer's life"!



Chairman: Yung-Hsiang Lin



CEO: Yung-Hsiang Lin



Accounting Manager: Chen-Chen Fu



## II. Company Profile

### 1. Date of Incorporation

August 22, 1980

### 2. Brief history of the Company

Year	Milestone
1980	◆ (August) Ta Chiang International Co., Ltd. was established with a paid -in capital of NT\$ 6,000, initially engaging in import and export trade of various commodities at home and abroad.
1999	◆ TCI Biomedical Department was established.
2002	◆ TCI Co., Ltd obtained “National Golden Award for Quality Guarantee”.
2004	◆ TCI Co., Ltd established a subsidiary, “First International Technology Co., Ltd.”.
2005	◆ (April) The company name was changed to M/S. TCI Co., Ltd. ◆ (September) First International Technology Co., Ltd. invested in BioTrade, Shanghai BioTech Group.
2006	◆ (August) After the capital increased by cash of NT\$ 10,000,000, the paid-in capital became NT\$ 53,800,000.
2007	◆ TCI Co., Ltd. obtained ISO 9001 and ISO 22000 certification. ◆ TCI Co., Ltd. created the product CV for each product, revealing the transparent manufacturing process. ◆ (August) After the capital increased by cash of NT\$ 10,000,000, the paid-in capital became NT\$ 63,800,000.
2008	◆ (April) TCI Co., Ltd. established S1 factory in Wugu, Taipei County. ◆ TCI Co., Ltd. obtained a patent for the “Body Care Compose Set.” ◆ TCI Co., Ltd. obtained the International HACCP Certification. ◆ TCI Co., Ltd. implemented the “Enterprise Innovation Research and Development Program (SBIR)” supported by the Ministry of Economic Affairs. ◆ TCI Co., Ltd. established a food packaging factory in Shanghai, China. ◆ (April) After the capital increased by cash of NT\$ 10,000,000, the paid-in capital became NT\$ 73,800,000.
2009	◆ TCI Co., Ltd. obtained the 12th Little Giant Award from Ministry of Economic Affairs, Taiwan. ◆ TCI Co., Ltd. established the Beijing office. ◆ After the capital increased by cash of NT\$ 5,000,000 and the capitalization of retained earnings transferred to capital of NT\$ 7,380,000 had been implemented, the paid-in capital had become NT\$ 86,180,000.
2010	◆ Taipei S1 factory obtained GMP certification. ◆ (May) TCI Co., Ltd. established TCI (Taiwan) PABP BRANCH in Pingtung Agricultural Biotechnology Park. ◆ After the capital increased by cash of NT\$ 10,000,000 and the capitalization of retained earnings transferred to capital of NT\$ 53,820,000 had been implemented, the paid-in capital had become NT\$ 150,000,000.
2011	◆ TCI (Taiwan) PABP BRANCH started its business.

Year	Milestone
	<ul style="list-style-type: none"> <li>◆ TCI Co., Ltd. passed the selection of Taiwan Intellectual Property Management System (TIPS) held by the Institute for Information Industry, R.O.C. (Taiwan).</li> <li>◆ (February) One of TCI's affiliates, First Tek Corp., whose name was revised as TCI Firstek Corp.</li> <li>◆ (July) After the capitalization of retained earnings transferred to capital of NT\$ 45,000,000 had been implemented, and the capitalization of employee bonuses transferred to capital of NT\$ 5,420,000. The paid-in capital became NT\$ 200,420,000.</li> <li>◆ (July) TCI Gene Inc. was established by TCI Co., Ltd.</li> <li>◆ (August) TCI Co., Ltd. filed for registration of a case of initial public issuance of stock and received the approval from the Taipei Exchange (TPEX).</li> <li>◆ (September) One of TCI's affiliates, BioScience, Shanghai BioTech Group, had been established by BioTrade, Shanghai BioTech Group.</li> <li>◆ (September) TCI (Taiwan) PABP BRANCH obtained the ISO 22000:2005 certification.</li> <li>◆ (October) The E.V.E. Lab obtained the ISO17025:2005-TAF Certification.</li> <li>◆ (October) TCI (Taiwan) PABP BRANCH obtained the GMP certification managed by TQF (Taiwan Quality Food) Association.</li> <li>◆ (December) After the capital increased by cash of NT\$ 26,000,000, the paid-in capital became NT\$ 226,420,000.</li> </ul>
2012	<ul style="list-style-type: none"> <li>◆ (February) TCI Co., Ltd. started its emerging stock on the Taipei Exchange (TPEX).</li> <li>◆ (May) One of TCI's affiliates, BioFunction, Shanghai BioTech Group, was established by TCI Co., Ltd.</li> <li>◆ (July) After the issuance of employee stock option certificates of 365,000 shares, the paid-in capital became NT\$ 230,070,000.</li> <li>◆ (August) After the capitalization of retained earnings transferred to capital of NT\$ 67,926,000 was implemented, the paid-in capital became NT\$ 297,996,000.</li> <li>◆ (December) One of TCI's affiliates, BioCosme, Shanghai BioTech Group, was established by BioTrade, Shanghai BioTech Group.</li> </ul>
2013	<ul style="list-style-type: none"> <li>◆ (January) One of TCI's affiliates, TCI HK LIMITED was established by TCI Co., Ltd, and GeNext HK LIMITED was established by TCI HK LIMITED after the establishment of TCI HK LIMITED.</li> <li>◆ (January) TCI Co., Ltd. started the industry-academia collaboration project with China Medical University, Taiwan.</li> <li>◆ (February) The S1 factory obtained the FSSC22000 certification.</li> <li>◆ (February) TCI (Taiwan) PABP BRANCH obtained the FSSC22000 certification.</li> <li>◆ After the issuance of employee stock option certificates of 680,000 shares, the paid-in capital had become NT\$ 304,796,000.</li> </ul>

Year	Milestone
	<ul style="list-style-type: none"> <li>◆ (August) After the capitalization of retained earnings transferred to capital of NT\$ 89,438,000 had been implemented, the paid-in capital had become NT\$ 394,234,000.</li> <li>◆ (September) TCI Co., Ltd. started its initial listing on the Taipei Exchange (TPEX). After the capital increased by cash (NT\$ 44,570, 000) prior to the initial listing, the paid-in capital had become NT\$ 438,804,000.</li> <li>◆ (October) TCI Co., Ltd. obtained the 22<sup>th</sup> National Award of Outstanding SMEs held by the Small and Medium Enterprise Administration, Ministry of Economic Affairs.</li> </ul>
2014	<ul style="list-style-type: none"> <li>◆ (April) TCI Co., Ltd. signed a memorandum of understanding (MOU) with DAIDO Pharmaceutical Corp.</li> <li>◆ (April) TCI Co., Ltd. obtained 2 gold medals, 1 silver medal, and 2 bronze medals, and 1 special prize at the Geneva International Exhibition of Inventions.</li> <li>◆ (July) The S7 factory, the facial mask factory of BioCosme, Shanghai BioTech Group, started its operation.</li> <li>◆ (August) After the issuance of employee stock option certificates of 562,000 shares and the capitalization of retained earnings transferred to capital of NT\$ 65,821,000 had been implemented, the paid-in capital became NT\$ 510,244,000.</li> <li>◆ (October) After the capital increased by private replacement of NT\$ 46,000,000, the paid-in capital became NT\$ 556,244,000.</li> </ul>
2015	<ul style="list-style-type: none"> <li>◆ (April) TCI Co., Ltd. obtained 2 gold medals, 2 silver medals, and the Best Invention of the Far East award at the Invention &amp; New Product Exposition (INPEX).</li> <li>◆ (May) TCI Co., Ltd. obtained the Meiyi award for its Cell Young<sup>®</sup> Snowlotus Bio-cellulose Mask.</li> <li>◆ (August) After the issuance of employee stock option certificates of 16,000 shares and the capitalization of retained earnings transferred to capital of NT\$ 55,624,000 had been implemented, the paid-in capital had become NT\$ 612,028,800.</li> <li>◆ (September) The S9 factory, our second factory in the Pingtung Agricultural Biotechnology Park, started its operation.</li> <li>◆ TCI Co., Ltd. was named on the list of 3<sup>rd</sup> Mitte stand firms recognized by the Ministry of Economic Affairs.</li> <li>◆ Our general manager, Yung-Hsiang Lin, was recognized as one of the 53<sup>th</sup> Ten Outstanding Young Persons in Taiwan.</li> <li>◆ The S5 factory obtained the NSF/BRC certification and the Sedex certification.</li> <li>◆ The S7 factory obtained the ISO 9001 certification, the ISO 14001 certification, and the OHSAS 18001 certification.</li> <li>◆ TCI Co., Ltd. obtained the Innovation Prize for personal care and cosmetic products in China (classified in the category: anti-aging materials).</li> </ul>



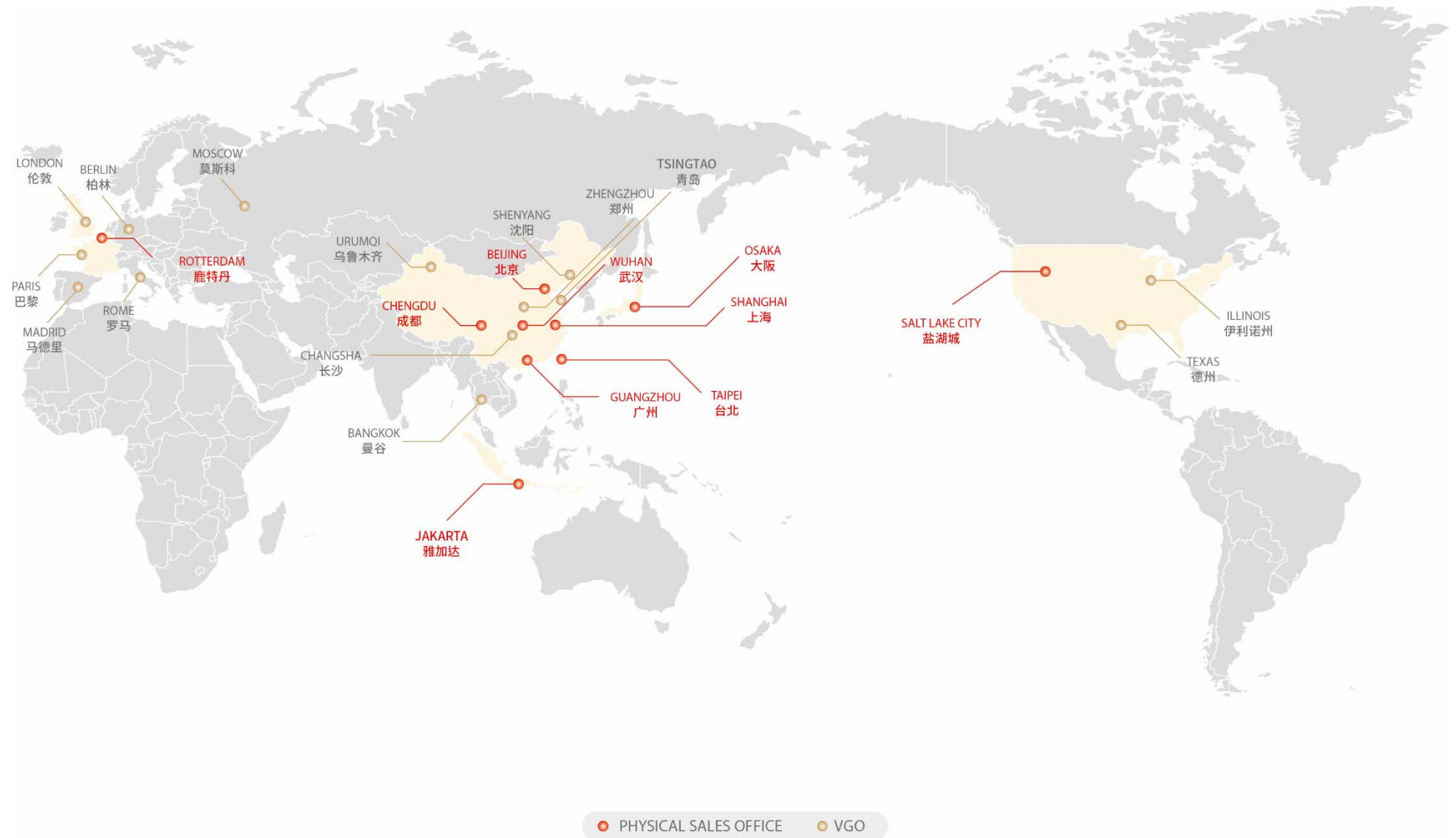
Year	Milestone
2016	◆ TCI Co., Ltd. obtained 1 bronze medal and 1 special prize at the iENA Nuremberg.
	◆ TCI Co., Ltd. obtained iF Design Award 2015 by the beverage display carrier box for AQUAGEN.
	◆ (February) TCI Co., Ltd. obtained the Innovation Prize for personal care and cosmetic products in China (classified in the category: functional materials).
	◆ (April) The S8 factory, the functional beverage factory of BioFunction, Shanghai BioTech Group, started its operation.
	◆ (April) TCI Co., Ltd. was named on the top 20% list of the 2 <sup>nd</sup> Corporate Governance Evaluation for TWSE/TAPEX Listed Companies (1,447 companies joined this evaluation).
	◆ (May) TCI Co., Ltd. was named on the list of Taiwan Top 2000 recognized by the Common Wealth Magazine: ranked 49 <sup>th</sup> in the annual growth rate of annual revenue; ranked 216 <sup>th</sup> in the net profit margin; and ranked 932 <sup>th</sup> in the annual revenue.
	◆ (August) After the issuance of employee stock option certificates of 329,539 shares and the capitalization of retained earnings transferred to capital of NT\$ 78,332,000 had been implemented, the paid-in capital became NT\$ 75,369,800.
	◆ (November) Our general manager, Yung-Hsiang Lin, obtained the EY Entrepreneur of The Year Taiwan (Excellence in Innovation).
	◆ TCI Co., Ltd. obtained 2 gold medals, 2 silver medals and 1 excellence prize at the 44 <sup>th</sup> Geneva International Exhibition of Inventions.
	◆ TCI Co., Ltd. obtained 2 gold medals, 1 silver medal and 1 special prize at the 31 <sup>th</sup> Invention & New Product Exposition (INPEX).
	◆ TCI Co., Ltd. obtained 1 gold medal, 1 silver medal and 1 special prize at the 30 <sup>th</sup> World Genius Convention and Education Expo.
	◆ TCI Co., Ltd. obtained 2 gold medals, 1 silver medal and 1 special prize at the Seoul International Invention Fair (SIIF).
	◆ TCI Co., Ltd. obtained 2 Meiyi awards.
2017	◆ (April) TCI Co., Ltd. was named on the top 20% list of the 3 <sup>rd</sup> Corporate Governance Evaluation for TWSE/TAPEX Listed Companies (1,496 companies joined this evaluation).
	◆ (May) TCI Co., Ltd., BioCosme PABP BRANCH had been established.
	◆ (July) After the issuance of employee stock option certificates of 16,000 shares and the capitalization of retained earnings transferred to capital of NT\$ 113,432,000 had been implemented, the paid-in capital had become NT\$ 870,117,000.
	◆ (October) The S11 factory started its operation.
	◆ TCI Co., Ltd. obtained 2 gold medals, 2 silver medals, and 2 special prizes at the 2017 Geneva International Exhibition of Inventions.
	◆ TCI Co., Ltd. obtained 1 gold medal and 3 silver medals at the Concours Lépine International Paris 2017.

Year	Milestone
	<ul style="list-style-type: none"> <li>◆ TCI Co., Ltd. obtained 1 gold medal and 1 special prize at the 2017 Invention &amp; New Product Exposition (INPEX).</li> <li>◆ TCI Co., Ltd. obtained 1 gold medal and 2 silver medals at the 2017 XIX Moscow International Salon of Inventions and Innovative Technologies (Archimedes).</li> <li>◆ TCI Co., Ltd. obtained 1 gold medal, 1 silver medal and 1 special prize at the 31<sup>th</sup> World Genius Convention and Education Expo.</li> <li>◆ The Indonesia Office of TCI Co., Ltd. started its operation.</li> <li>◆ The branch company of TCI Co., Ltd. had been established in the Utah State, the United States.</li> <li>◆ Shanghai BioTech Group was recognized as one of the most influential enterprises at the Healthplex Expo and Natural &amp; Nutraceutical Products China 2017 (HNC).</li> <li>◆ TCI Co., Ltd. obtained the best award for biotechnology companies in Taiwan: the Outstanding Company of the Year.</li> <li>◆ TCI Co., Ltd. is first on the Forbes Asia's 200 Best Under A Billion List.</li> <li>◆ TCI Co., Ltd. obtained the 4<sup>th</sup> Taiwan Mittelstand Award held by the Ministry of Economic Affairs.</li> </ul>
2018	<ul style="list-style-type: none"> <li>◆ The S11 factory obtained the ECOCERT - COSMOS<sup>®</sup> ORGANIC certification.</li> <li>◆ (April) TCI Co., Ltd. was named on the top 20% list of the 4<sup>th</sup> Corporate Governance Evaluation for TWSE/TAPEX Listed Companies (1,539 companies joined this evaluation).</li> <li>◆ (July) After the capitalization of retained earnings transferred to capital of NT\$ 130,518,000 had been implemented, the paid-in capital became NT\$ 1,001,219,000.</li> <li>◆ TCI Co., Ltd. obtained 2 gold medals, 2 silver medals, and 1 special prize at the 2018 Geneva International Exhibition of Inventions.</li> <li>◆ TCI Co., Ltd. obtained 1 gold medal, 2 silver medals, and 1 special prize at the 2018 Silicon Valley International Invention Festival.</li> <li>◆ TCI Co., Ltd. obtained 2 gold medals, 2 silver medals and 1 special prize at the 2018 World Genius Convention and Education Expo.</li> </ul>
2019	<ul style="list-style-type: none"> <li>◆ TCI Co., Ltd. established a subsidiary in Japan.</li> <li>◆ TCI Co., Ltd. obtained 1111 Happy Enterprise Award.</li> <li>◆ TCI Co., Ltd. obtained the Outstanding Business Award at the 25<sup>th</sup> National Quality Award.</li> <li>◆ TCI Co., Ltd. was named in the "Top 100 Fast-Growing Companies" with "Top-ranked profit" by CommonWealth Magazine.</li> <li>◆ TCI Co., Ltd. ranked in 5% of TWSE listed companies in the Corporate Governance Evaluation.</li> <li>◆ TCI Co., Ltd. was named in 5<sup>th</sup> place of top 50 companies with best business performance in Top 2000 Survey by CommonWealth Magazine.</li> <li>◆ TCI Co., Ltd. was named in 4<sup>th</sup> place in the Medium-Size Enterprise Group at 2019 Excellence in Corporate Social Responsibility Award</li> </ul>

Year	Milestone
	<ul style="list-style-type: none"> <li>◆ TCI Co., Ltd. was named in 9<sup>th</sup> place in the Little Giant Group at 2019 Excellence in Corporate Social Responsibility Award</li> <li>◆ TCI Co., Ltd. was named in the list of top 500 excellent manufacturers and traders of agricultural biotechnology industry in Business Startup Group in National Innovation Award (for the Double Nutri technology)</li> <li>◆ TCI Co., Ltd. obtained a Silver Award at the Green World Awards.</li> <li>◆ TCI Co., Ltd. obtained Eco Vadis Silver Corporate Social Responsibility (CSR) Medal.</li> <li>◆ TCI Co., Ltd. obtained the Green World Award and was recognized as the Green World Ambassador in 2020.</li> <li>◆ TCI Co., Ltd. established a BSL-2 laboratory for food pathogen testing and the advancement of professional testing.</li> <li>◆ TCI Co., Ltd. obtained invention awards in various international events (in Geneva, the US, Canada, the UK, Germany, Japan, Korea, Russia, etc.).</li> <li>◆ In 2019, TCI Co., Ltd. obtained 69 international invention awards:</li> <li>◆ 3 gold medals, 3 bronze medals and 1 special award at Geneva International Exhibition of Inventions;</li> <li>◆ 4 gold medals, 3 silver medals and 1 special award at the 33<sup>rd</sup> World Genius Convention and Education Expo;</li> <li>◆ 3 gold medals, 2 silver medals, 1 bronze award and 2 special awards at the Silicon Valley International Invention Festival;</li> <li>◆ 11 gold medals and 12 special awards at the British Invention Show;</li> <li>◆ 5 gold medals and 5 special awards at the International Invention Innovation Competition in Canada</li> <li>◆ 1 silver medal, 2 bronze medals and 1 special award at the iENA 2019 international trade fair;</li> <li>◆ 2 gold medals, 4 silver medals, 2 bronze medals and 1 special award at the Seoul International Invention Fair.</li> </ul>
2020	<ul style="list-style-type: none"> <li>◆ TCI Co., Ltd. established a subsidiary in the Netherlands.</li> <li>◆ TCI Co., Ltd. was listed in Asia 200 Best Under A Billion by Forbes</li> <li>◆ TCI Co., Ltd. was named in 1st place in the Medium-Size Enterprise Group at 2020 Excellence in Corporate Social Responsibility Award</li> <li>◆ TCI Co., Ltd. became the only private commercial organization selected as one of the top ten Popular Science Bases in Taiwan at the 1st Taiwan Science Festival organized by the MOE, Taiwan</li> <li>◆ TCI Co., Ltd. obtained awards at the 17th National Innovation Award (the Excelsior Award for double2NUTRI® and National Innovation Award for QVS-96S in the Epidemic Prevention Technology Category)</li> <li>◆ Youth Cultivation Project <ul style="list-style-type: none"> <li>— Cultivation of future biotech talents -Organized the 2020 Dasheng Cup Biotechnology Creative Product Proposal Competition (January) and a summer training camp for new functional food production lines (July-September)</li> <li>— Hosted a 24-hour Future Literacy Education with PaGamO</li> </ul> </li> </ul>

Year	Milestone
	<p>— 2020 Bio and Raw Material Manufacturing Innovation Golden Brain Award with Food Industry Development Institute</p> <ul style="list-style-type: none"> <li>◆ TCI Co., Ltd. obtained 47 gold medals, 5 silver medals, 4 bronze medals and 37 special prizes in various international events (in Geneva, the US, Canada, the UK, Germany, Japan, Korea, etc.):</li> <li>◆ 8 gold medals and 4 silver medals at the 34th World Genius Convention and Education Expo;</li> <li>◆ 13 gold medals and 13 special awards at the British Invention Show;</li> <li>◆ 13 gold medals and 14 special awards at the International Invention Innovation Competition in Canada;</li> <li>◆ 1 silver medal and 4 bronze medals at the Seoul International Invention Fair</li> </ul>
2021	<ul style="list-style-type: none"> <li>◆ TCI Co., Ltd. obtained 2 gold medals, 2 silver medals, and 1 special prize at 2021 Geneva International Exhibition of Inventions</li> <li>◆ TCI Co., Ltd. obtained 2 gold medals at 35th World Genius Convention and Education Expo</li> <li>◆ TCI Co., Ltd. earned a position in the Top 500 High-Growth Companies in Asia-Pacific 2021, ranking no.1 among Taiwan nutraceutical companies.</li> </ul> <p>TCI Co., Ltd. became the first biotech company in Asia whose climate goals are validated by SBTi.</p>

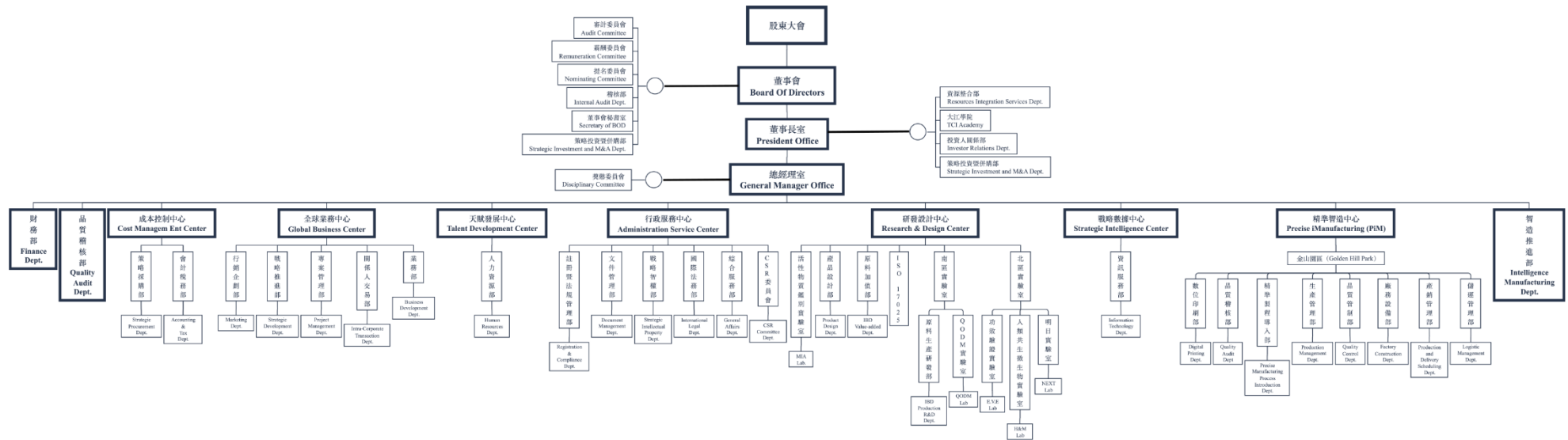
### 3. Global Offices of TCI Group



### III. Corporate Governance Report

#### 1. Organization

##### (1) Organizational Chart



(2) Responsibilities of each department

Department/ Center	Responsibilities
International Audit Dept.	<ol style="list-style-type: none"> <li>1. Planning and formulating various audit policies and procedures, including internal audit regulations, internal audit implementation rules, and internal audit operation manuals</li> <li>2. Proposing audit plans, performing audits of each department, submitting audit reports, and tracking improvements</li> </ol>
Remuneration Committee	In a professional and objective fashion, the Remuneration Committee is responsible for evaluating the remuneration policies and systems of the company, providing advice to the Board of Directors to assist the Board in assessing the link between the salary level of the company's directors, supervisors and managers and the company's operating performance.
Audit Committee	The Audit Committee is responsible for monitoring the accounting/financial reports of the company and assessing the management of major assets and the issuance of securities.
Nominating Committee	The Nominating Committee is responsible for nominating the candidates for the Board and executive management.
Disciplinary Committee	The Disciplinary Committee, playing an important role in the company's internal management, is responsible for establishing a comprehensive system for employee rewards and punishment to realize the company philosophy of open rewards and punishments, rationally deal with disputes, and protect employees' rights.
General Manager Office	<ol style="list-style-type: none"> <li>1. The chief staff department to assist the General Manager</li> <li>2. Assisting in planning business strategies and policies, and coordination of business affairs and labor</li> <li>3. Commanding, coordinating, and managing production lines to meet the company's operating goals and customer needs in a timely manner</li> <li>4. Coordinating relevant departments to provide timely support to facilitate smooth production.</li> <li>5. Supervising the Quality Audit Department, which is in charge of planning, performing, and monitoring internal quality audits and affairs concerning factory certification</li> <li>6. Supervising the Strategic Procurement Department and Marketing Department in raw/packaging material management and marketing strategies</li> </ol>
Finance Dept.	<ol style="list-style-type: none"> <li>1. Financial management, including financial planning and analysis, fundraising and investment decision-making and fund management</li> <li>2. Stock operations and operations of the Board of directors and shareholders' meetings</li> </ol>
Research & Design Center	<ol style="list-style-type: none"> <li>1. Design and development of new products</li> <li>2. Product improvement</li> <li>3. Producing samples that meet customers' requirements</li> <li>4. Verification of product efficacy</li> </ol>

Department/ Center	Responsibilities
	5. Verification of product quality 6. Patent application 7. Sample specification review 8. Search and development of raw materials 9. Research and development of dosage forms, product specifications, functions and efficacy
Talent Development Center	1. Planning and execution of recruitment and retention of employees 2. Planning and coordination of labor and organizations 3. Staff resignation, recruitment and employment and salary accounting 4. Planning and execution of employee training and development 5. Establishment and implementation of the reward system 6. Management and implementation of labor pension, labor and health insurance and other welfare measures 7. Establishment and implementation of management regulations and human resources-related systems 8. Planning and execution of employee performance appraisal and promotion 9. Assessment and management of employee attendance 10. Maintaining and strengthening employee care and employee relations
Administration Service Center	1. Overall management of company personnel affairs, general affairs and legal affairs. 2. Procurement of office supplies 3. Management of labor and health insurance 4. Planning and establishment of management rules and regulations 5. Planning and arrangement of business trips and expense audits 6. Numbering and management of corporate assets 7. Document management 8. Contract review 9. Collection of cosmetics and food-related laws and regulations
Global Business Center	1. Business planning and development 2. Order review and signing 3. Handling of customer complaints, customer visits, timely provision of items required by customers 4. Attending exhibitions at home and abroad 5. Product design 6. Marketing
Precise iManufacturing (PiM) Rock Park Golden Hill Park	1. Planning of manufacturing processes and product manufacture 2. Planning and control of production schedules 3. Production, manufacture and management of products and monitoring of manufacturing processes 4. Warehousing, transportation and management of raw/packaging materials, semi-finished products, and finished products 5. Equipment automation and process improvement management



Department/ Center	Responsibilities
	<ul style="list-style-type: none"> <li>6. Quality control, IQC, IPQC (manufacture and packaging), FQC, and material acceptance</li> <li>7. Analysis of defective products, analysis of customer complaints, and handling of customer complaints</li> <li>8. Tracking and handling problems concerning abnormal product quality and taking preventive measures</li> <li>9. Establishment, execution and maintenance of the quality system</li> <li>10. Execution and management of instrument calibration</li> <li>11. Assisting in the handling of customer complaints</li> <li>12. Management of quality assurance-related documents</li> <li>13. Factory staff resignation, recruitment, and employment, management of labor and health insurance and salary accounting</li> <li>14. Procurement of business supplies</li> </ul>
Strategic Intelligence Center	<ul style="list-style-type: none"> <li>1. Planning, procurement, maintenance and storage of hardware and software and backup production</li> <li>2. Handling of problems of weak current and telephone equipment</li> <li>3. Program development and design</li> <li>4. Preparation of financial statements</li> <li>5. Financial analysis</li> </ul>
Cost Management Center	<ul style="list-style-type: none"> <li>1. Preparation of financial statements</li> <li>2. Financial analysis</li> <li>3. Preparation and analysis of management reports</li> <li>4. Management and preservation of account books</li> <li>5. Supervising the Strategic Procurement Department and Marketing Department in matters concerning raw/packaging materials and marketing strategies</li> </ul>

## 2. Information of Directors, the President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branch Offices

### (1) Information Regarding Board Members and Supervisors

#### A. Information Regarding Board Members and Supervisors

As of 05/01/2021; Unit: share; %

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experience	Selected Current Positions at TCI and Other Companies	Other Heads, Directors, or Supervisors as Spouse or Kin within the Second Degree			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	R.O.C.	Yung-Hsiang Lin	Male	2020 6.18	3 years	2017.5	1,622,405	1.36%	2,252,405	1.90%	38,000	0.03%	0	0.00%	Bachelor Degree in Botany, National Chung Hsing University  Former Deputy General Manager, TCI Co., Ltd. Former Manager, Biomedical Department, Ta Chiang International Co., Ltd. Former Deputy Manager, Marketing Department, Hsin-Fa International Biotechnology Inc. Former Specialist, General Manager's Office, Genesis Biotech Inc.	(Note 1)	Deputy General Manager	Yung-Hao Lin	Brothers	
Director	R.O.C.	Yang Guang Investment Co., Ltd.	—	2020 6.18	3 years	2017.5	4,659,053	3.89%	4,556,053	3.85%	0	0.00%	0	0.00%	—	—	—	—	—	(Note 2)
	R.O.C.	Authorized Representative: Pi-Shu Li	Female	2020 6.18	3 years	2019.9	1,324	0.00%	1,324	0.00%	0	0.00%	0	0.00%	Professional Master's Degree in Business Administration, National Taiwan University EMBA, National Taiwan University  Deputy General Manager, PwC Taiwan Senior Associate, Ernst & Young Global Limited Liability Partnership	Chairman-cum-Director, Uchen Management & Consulting Co., Ltd. Independent Director, convener of Audit Committee and member of Salary and Remuneration Committee, Hong pu Real Estate Development Co., LTD. Independent Director and convener of Audit Committee, Everspring Industry Co., Ltd.  Member of Remuneration Committee, HSIN-LI CHEMICAL INDUSTRIAL CORP.  Supervisor, Yung-Chiang Investment Co., Ltd. Supervisor, Sunshine Bless Association	—	—	—	
Director	Japan	DyDo Group Holdings, INC.	—	2020 6.18	3 years	2017.5	9,593,216	8.02%	9,593,216	8.11%	0	0.00%	0	0.00%	—	—	—	—	—	(Note 3)
	Japan	Authorized Representative: Tomiya Takamatsu	Male	2020 6.18	3 years	2017.5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor Degree in Economics, Kyoto University  Former Director, Dydo Group Holdings, INC.	President, DyDo Group Holdings, INC.	—	—	—	
Independent Director	R.O.C.	Shu-Min He	Female	2020 6.18	3 years	2020.6	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master's Degree in Accounting, National Taiwan University  Certified Public Accountant, PwC	Independent Director, CAL-COMP PRECISION (SINGAPORE) LIMITED TAIWAN BRANCH  Member of Audit Committee, TCI Co., Ltd.  Member of Remuneration Committee, TCI Co., Ltd.  Member of Nominating Committee, TCI Co., Ltd.	—	—	—	

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experience	Selected Current Positions at TCI and Other Companies	Other Heads, Directors, or Supervisors as Spouse or Kin within the Second Degree			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	R.O.C.	Shih-Ming Li	Male	2020 6.18	3 years	2020.6	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor degree of Medicine, National Defense Medical Center Physician at Liming Obstetrics and Gynecology Clinic Director of Obstetrics and Gynecology Department, Air Force General Hospital Head of Reproductive Medicine Center, Air Force General Hospital	Attending Physician, Department of Obstetrics and Gynecology, Chung Shan Hospital Head of Reproductive Center, Chung Shan Hospital Vice President, Chung Shan Hospital Member of Audit Committee, TCI Co., Ltd. Member of Remuneration Committee, TCI Co., Ltd. Member of Nominating Committee, TCI Co., Ltd.	—	—	—	
Independent Director	R.O.C.	Sung-Yuan Liao	Male	2020 6.18	3 years	2017.5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Doctor Degree, National Chung Hsing University Former Associate Professor, Department of Life Science, National Chung Hsing University	Member of Audit Committee, TCI Co., Ltd. Member of Remuneration Committee, TCI Co., Ltd.	—	—	—	
Independent Director	R.O.C.	Chen-Yi Kao	Ma	2020 6.18	3 years	2017.5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Doctor Degree in Chemistry, Tufts University Professor, Graduate Institute of Biochemistry, National Chung Hsing University	Member of Audit Committee, TCI Co., Ltd. Member of Remuneration Committee, TCI Co., Ltd. Professor, Graduate Institute of Biochemistry, National Chung Hsing University	—	—	—	
Chairman	R.O.C.	Yung-Hsiang Lin	Male	2020 6.18	3 years	2017.5	1,622,405	1.36%	2,252,405	1.90%	38,000	0.03%	0	0.00%	Bachelor Degree in Botany, National Chung Hsing University Former Deputy General Manager, TCI Co., Ltd. Former Manager, Biomedical Department, Ta Chiang International Co., Ltd. Former Deputy Manager, Marketing Department, Hsin-Fa International Biotechnology Inc. Former Specialist, General Manager's Office, Genesis Biotech Inc.	(Note 1)	Deputy General Manager	Yung-Hao Lin	Brothers	

Note 1: General Manager at TCI Co., Ltd.; Chairman and General Manager at TCI Firstek Corp.; Chairman and General Manager at TCI Gene Inc.; Chairman at BioTrade, Shanghai BioTech Group; Chairman and General Manager at BioScience, Shanghai BioTech Group; Chairman at BioFunction, Shanghai BioTech Group; Chairman at TCI Living Co., Ltd.; Director at GLUX HK LIMITED; Director at TCI HK LIMITED; Director at TCI BIOTECH LLC; Director at TCI Biotech Netherlands B.V.; Director at TCI JAPAN CO., LTD. (大江生醫JAPAN株式會社).Chairman at Quantum Biology Inc., Chairman at SMY INTERNET OF PACKAGE CO., LTD.

Note 2: The chairman and general manager of the Company are the same person, and the reasons, rationality, necessity and corresponding measures should be explained.

Explanation: The Company increased the number of independent directors to a total of four, and more than half of the Directors did not serve as employees or managers.

## B. Major shareholders of corporate shareholders

As of 05/01/2021

Name of Corporate Shareholder	Major Shareholders
Yang Guang Investment Co., Ltd.	Wu-Nan Yang(50%), Shu-Chun Kuan(25%)
DyDo Group Holdings, Inc.	High-wood Corporation(15.54%), Santomi Co., Ltd. (12.65%), Taita Corporation (4.09%), Mitsuhiro Takamatsu (3.11%), Tomiya Takamatsu (3.11%), Akira Takamatsu (3.10%), The Master Trust Bank of Japan ,Ltd. (2.22%), Lemon Gas Kagoshima Co., Ltd. (1.57%), Japan Trustee Services Bank, Ltd. (1.50%), Lemon Gas Kagoshima Co., Ltd. (1.40%)

## C. Authorized Representatives as major shareholders of corporate shareholders

As of 05/01/2021

Name	Major Shareholders
N/A	N/A

## D. Qualifications and Independence Criteria of Directors

As of 05/01/2021

Name (Note 1)	Term	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note 2)												Number of Public Companies in which he or she also serves as an independent director
		An Instructor or Higher Position in a Department of Commerce, Law Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Yung-Hsiang Lin			✓					✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yang Guang Investment Co., Ltd. Authorized Representative: Pi-Shu Li			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		2
DyDo Group Holdings, INC. Authorized Representative: Tomiya Takamatsu			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Shu-Min He		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Shih-Ming Li		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Sung-Yuan Liao	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chen-Yi Kao	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: The number of columns depends on the actual number (of Directors).

Note 2: Directors, during the two years before being elected and during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

- (1) Not an employee of the company or any of its affiliates;
- (2) Not a director or supervisor of the company or any of its affiliates.;
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has a representative director(s) serving on the company's board based on Article 27 of the Company Law.

- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
- (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
- (9) Other than serving as a Remuneration Committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD 500,000";
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
- (11) Not been a person of any conditions defined in Article 30 of the Company Law; and
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

## (2) Information of the President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branch Offices

As of 05/01/2021; Unit: share; %

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experience	Selected Current Positions at Other Companies	Other Managers as Spouse or Kin within the Second Degree		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
General Manager	R.O.C.	Yung-Hsiang Lin	Male	2010.8	2,252,405	1.90%	38,000	0.03%	0	0.00%	Bachelor Degree in Botany, National Chung Hsing University  Former Deputy General Manager, TCI Co., Ltd. Former Manager, Biomedical Department, Ta Chiang International Co., Ltd. Former Deputy Manager, Marketing Department, Hsin-Fa International Biotechnology Inc. Former Specialist, General Manager's Office, Genesis Biotech Inc.	Note 1	Deputy General Manager	Yung-Hao Lin	Brothers
Deputy General Manager	R.O.C.	Yung-Hao Lin	Male	2012.1	350,359	0.30%	0	0.00%	0	0.00%	Bachelor Degree in Agricultural Management, National Chiayi University  Former Assistant Vice President, Sales Department, TCI Co., Ltd. Former Associate Manager, Sales Department, TCI Co., Ltd. Chia-Yung Industrial Co.	Executive Director & Director's Representative, BioCosme, Shanghai BioTech Group Director, BioScience, Shanghai BioTech Group Director, BioTrade, Shanghai BioTech Group Director's Representative, BioCosme, BioTech Group Director's Representative, TCI Gene Inc.	General Manager	Yung-Hsiang Lin	Brothers
Assistant Vice President, Precise iManufacturing	R.O.C.	Chih-Cheng Tsai	Male	2017.1	19,000	0.02%	0	0.00%	0	0.00%	EMBA, National Chengchi University  Director of Production Planning Center, TECHPROS INTERNATIONAL CO., LTD. Deputy General Manager of Xiamen Plant, FRANZ COLLECTION INC. Leader of the Material Management Team, En Chu Kong Hospital	Director, BioFunction, Shanghai BioTech Group Director, BioTrade, Shanghai BioTech Group Director's Representative, BioCosme, BioTech Group	—	—	—
Assistant Vice President, Strategic Intelligence Center	R.O.C.	Min Yueh	Female	2019.2	37,736	0.03%	0	0.00%	0	0.00%	Master's Degree in SAP Consulting, Beihang University  Former Assistant Vice President, TCI Co., Ltd.	Chairman, SMY INTERNET OF PACKAGE CO., LTD.	—	—	—
Head of Research & Design Center	R.O.C.	Ching-Ting Chen	Female	2020.2	59,985	0.05%	0	0.00%	0	0.00%	Master's Degree in Chemistry, National Taiwan University  R&D chief, TCI Co., Ltd.	—	—	—	—
Head of Cost Management Center	R.O.C.	Chen-Chen Fu	Female	2018.11	13,000	0.01%	0	0.00%	0	0.00%	Bachelor Degree in Public Finance, Feng Chia University  Former Manager, TCI Co., Ltd.	SMY INTERNET OF PACKAGE CO., LTD. Supervisor, SMY INTERNET OF PACKAGE CO., LTD. Supervisor, TCI LIVING Co., Ltd. Supervisor, TCI GENE INC. Supervisor, TCI FIRSTEK CORP. Supervisor, Quantum Biology Inc.	—	—	—
Head of Administration Service Center	R.O.C.	Tung-Wei Li	Male	2019.7	6,000	0.01%	0	0.00%	0	0.00%	Master's Degree, the University of the Pacific, McGeorge School of Law Manager-cum-Spokesperson, TCI Co., Ltd.	Authorized representative of corporate director of Quantum Biology Inc.	—	—	—
Head of Talent Development Center	R.O.C.	Li-Chun Tsai	Female	2020.1	0	0.00%	0	0.00%	0	0.00%	Master's Degree in Management, Chang Gung University Manager, TCI Co., Ltd.	—	—	—	—

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experience	Selected Current Positions at Other Companies	Other Managers as Spouse or Kin within the Second Degree		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Head of Finance Department	R.O.C.	Chia-Chi Li	Male	2017.1	0	0.00%	0	0.00%	0	0.00%	Master's Degree in Finance, Bent University, Massachusetts  Deputy Assistant Staff Officer, General Manager Office, Chief Financial Officer of Business Department, Assistant Manager of Investment Evaluation and Analysis Department, State Street Bank (NYSE:STT)	Authorized representative of corporate director of Quantum Biology Inc.	—	—	—
Head of Audit Department	R.O.C.	Wei-Chiang Chi	Male	2014.10	0	0.00%	0	0.00%	0	0.00%	Bachelor Degree in Accounting, Tamkang University  Certified Internal Auditor (CIA) Former Manager, Audit Department, Pharmtak Taiwan Co., Ltd. Former Director, Sciencetech Corporation	—	—	—	—
Head of Corporate Governance	R.O.C.	Chen-Chia Huang	Male	2019.10	16,900	0.01%	0	0.00%	0	0.00%	Bachelor Degree in Law, Soochow University Intellectual Property Certification Consultant, Friendly Law Office (富蘭德林法律事務所) Legal Affairs Assistant Manager, TCI Co., Ltd.	—	—	—	—
General Manager	R.O.C.	Yung-Hsiang Lin	Male	2010.8	2,252,405	1.90%	38,000	0.03%	0	0.00%	Bachelor Degree in Botany, National Chung Hsing University  Former Deputy General Manager, TCI Co., Ltd. Former Manager, Biomedical Department, Ta Chiang International Co., Ltd. Former Deputy Manager, Marketing Department, Hsin-Fa International Biotechnology Inc. Former Specialist, General Manager's Office, Genesis Biotech Inc.	Note 1	Deputy General Manager	Yung-Hao Lin	Brothers
Deputy General Manager	R.O.C.	Yung-Hao Lin	Male	2012.1	350,359	0.30%	0	0.00%	0	0.00%	Bachelor Degree in Agricultural Management, National Chiayi University  Former Assistant Vice President, Sales Department, TCI Co., Ltd. Former Associate Manager, Sales Department, TCI Co., Ltd. Chia-Yung Industrial Co.	Executive Director & Director's Representative, BioCosme, Shanghai BioTech Group Director, BioScience, Shanghai BioTech Group Director, BioTrade, Shanghai BioTech Group Director's Representative, BioCosme, BioTech Group Director's Representative, TCI Gene Inc.	General Manager	Yung-Hsiang Lin	Brothers
Assistant Vice President, Precise iManufacturing	R.O.C.	Chih-Cheng Tsai	Male	2017.1	19,000	0.02%	0	0.00%	0	0.00%	EMBA, National Chengchi University  Director of Production Planning Center, TECHPROS INTERNATIONAL CO., LTD. Deputy General Manager of Xiamen Plant, FRANZ COLLECTION INC. Leader of the Material Management Team, En Chu Kong Hospital	Director, BioFunction, Shanghai BioTech Group Director, BioTrade, Shanghai BioTech Group Director's Representative, BioCosme, BioTech Group	—	—	—

Note 1: General Manager at TCI Co., Ltd.; Chairman and General Manager at TCI Firstek Corp.; Chairman and General Manager at TCI Gene Inc.; Chairman at BioTrade, Shanghai BioTech Group; Chairman and General Manager at BioScience, Shanghai BioTech Group; Chairman at BioFunction, Shanghai BioTech Group; Chairman at TCI Living Co., Ltd.; Director at GLUX HK LIMITED; Director at TCI HK LIMITED; Director at TCI BIOTECH LLC; Director at TCI Biotech Netherlands B.V.; Director at TCI JAPAN CO., LTD. (大江生醫JAPAN株式會社).Chairman at Quantum Biology Inc., Chairman at SMY INTERNET OF PACKAGE CO., LTD.

Note 2: Wei-Chieh Liao, Deputy General Manager, resigned on January 31, 2020.

### (3) Remuneration Paid to Directors, Supervisors, General Manager, Deputy General Managers in 2020

#### A. Remuneration Paid to Directors (including independent directors) in 2020

Year 2020  
Unit: NT\$1,000 / 1000 shares

Title	Name	Director's Remuneration								Total Remuneration (A+B+C+D) as a % of 2018 Net Income		Compensation Earned by a Director Who is an Employee of TCI of TCI's Consolidated Entities								Total Compensation (A+B+C+D+E+F+G) as a % of 2017 Net Income		Compensation Paid to Directors from Non- consolidated Affiliate
		Base Compensation (A) (Note 2)		Severance Pay and Pensions (B)		Compensation to Directors (C)		Allowances (D) (Note 4)				Base Compensation, Bonuses and Allowances (E)		Severance Pay and Pensions (F)		Employees' Profit Sharing Bonus (G)						
		From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	Cash	Stock	Cash	Stock	From TCI	From All Consolidated Entities	
Director	Yong-Chiang Investment Co., Ltd. Authorized Representative: Yung-Hsiang Lin	0	0	0	0	1,800	1,800	272	272	0.11%	0.11%	24,169	41,068	0	0	53,003	0	53,003	0	4.31%	5.19%	無
	Yang Guang Investment Co., Ltd. Authorized Representative: Pi-Shu Li																					
	DyDo Group Holdings, INC. Authorized representative: Tomiya Takamatsu																					
Independent Director	Lung-Yi Liao	0	0	0	0	2,400	2,400	824	824	0.18%	0.17%	-	-	-	-	-	-	-	-	0.18%	0.17%	無
	Shou-Lu Chang																					
	Sung-Yuan Liao																					
	Chen-Yi Kao																					
	Shih-Ming Li																					
	Shu-Min He																					
1. Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested, etc.: The performance evaluation and salary and remuneration of independent directors have been reviewed and approved by the Company's Remuneration Committee and determined by the Board of Directors, with reference to the normal level of the industry and the situation of payment, taking into account the results of individual performance evaluation, the time invested and the responsibilities that have been undertaken. 2. Except the persons listed in the above table, if there is any director who receives the remuneration from the companies listed in the Financial Statements (e.g., the director provides consulting service for any person belonging to the companies listed in the Financial Statements): None																						



Brackets for Compensation Paid to Directors

Brackets for Compensation Paid to Directors	Name			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	From TCI	From All Consolidated Entities H	From TCI	From All Consolidated Entities I
Less than NT\$ 1,000,000	Yung-Hsiang Lin, Pi-Shu Li, Tomiya Takamatsu, Long-Yi Liao, Shou-Lu Chang, Sung-Yuan Liao, Chen-Yi Kao, Shih-Ming Li, Shu-Min He	Yung-Hsiang Lin, Pi-Shu Li, Tomiya Takamatsu, Long-Yi Liao, Shou-Lu Chang, Sung-Yuan Liao, Chen-Yi Kao, Shih-Ming Li, Shu-Min He	Yung-Hsiang Lin, Pi-Shu Li, Tomiya Takamatsu, Long-Yi Liao, Shou-Lu Chang, Sung-Yuan Liao, Chen-Yi Kao, Shih-Ming Li, Shu-Min He	Yung-Hsiang Lin, Pi-Shu Li, Tomiya Takamatsu, Long-Yi Liao, Shou-Lu Chang, Sung-Yuan Liao, Chen-Yi Kao, Shih-Ming Li, Shu-Min He
NT\$ 1,000,000 ~ NT\$1,999,999	—	—	—	—
NT\$2,000,000 ~ NT\$3,499,999	—	—	—	—
NT\$3,500,000 ~ NT\$4,999,999	—	—	—	—
NT\$5,000,000 ~ NT\$9,999,999	—	—	—	—
NT\$10,000,000 ~ NT\$14,999,999	—	—	—	—
NT\$15,000,000 ~ NT\$29,999,999	—	—	—	—
NT\$30,000,000 ~ NT\$49,999,999	—	—	—	—
NT\$50,000,000 ~ NT\$99,999,999	—	—	Yung-Hsiang Lin	Yung-Hsiang Lin
Equal to or more than NT\$100,000,000	—	—	—	—
People in total	9	9	9	9

Note: Pi-shu Li was assigned as the authorized representative of Yang Guang Investment Co., Ltd. on September 30, 2019.

## B. Compensation Paid to General Manager & Deputy General Managers in 2020

Year 2020; Unit: NT\$1,000 / 1000 shares

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employees' Profit Bonus (D)				Total Remuneration (A+B+C+D) as a % of 2019 Net Income		Compensation Paid to Directors from Non-consolidated Affiliates
		From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	From TCI		From All Consolidated Entities		From TCI	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
General Manager	Yung-Hsiang Lin (Note)	17,552	37,518	0	0	13,027	16,767	69,003	0	69,003	0	5.42%	6.65%	0
Deputy General Manager	Yung-Hao Lin													

Note: The Company provides a business car for the Chairman-cum- General Manager. The cost of the car is NT\$ 1,880,000. The current value is NT\$0 as of December 31, 2020.

### Brackets for Compensation Paid to General Manager & Deputy General Managers

Brackets for Compensation Paid to General Manager & Deputy General Managers	Name	
	From TCI	From All Consolidated Entities E
Less than NT\$ 1,000,000	—	—
NT\$1,000,000 ~ NT\$1,999,999	—	—
NT\$2,000,000 ~ NT\$3,499,999	—	—
NT\$3,500,000 ~ NT\$4,999,999	—	—
NT\$5,000,000 ~ NT\$9,999,999	—	—
NT\$10,000,000 ~ NT\$14,999,999	—	—
NT\$15,000,000 ~ NT\$29,999,999	Yung-Hao Lin	Yung-Hao Lin
NT\$30,000,000 ~ NT\$49,999,999	—	—
NT\$50,000,000 ~ NT\$99,999,999	Yung-Hsiang Lin	Yung-Hsiang Lin
Equal to or over NT\$100,000,000	—	—
Total	2	2

### C. Employee Compensation Amount Paid to Managers

Year 2020: Unit: NT\$1,000

	Title (Note 1)	Name (Note 1)	Stock Bonus Amount	Cash Bonus Amount	Total	Ratio of Total Amount to Net Income (%)
Manager	General Manager	Yung-Hsiang Lin	—	85,236	85,236	4.6%
	Deputy General Manager, Global Business Center	Yung-Hao Lin				
	Assistant Vice President, Precise iManufacturing	Chih-Cheng Tsai				
	Assistant Vice President, Strategic Intelligence Center	Min Yueh				
	Supervisor, Cost Management Center	Chen-Chen Fu				
	Supervisor, Administration Service Center	Tung-Wei Li				
	Manager, Accounting & Tax Department	Jui-Yi W				
	Supervisor, Finance Department	Chia-Chi Li				
	Supervisor, Audit Department	Wei-Chiang Chi				
	Supervisor, Corporate Governance	Chen-Chia Huang				
	Head of Stock Service Team	Chun-Ying Chiu				
	Assistant Vice President, Finance Department	Cheng-Hsien Chiang				

D. The Ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income; the policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

a. The Ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

Unit: NT\$1,000

Year	Brackets for Compensation Paid to Directors, Supervisor, President, and Vice President		Ratio of 2019 total Remuneration to Net Income	
	From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities
2019	71,540	102,016	3.55%	5.06%
2020	104,878	128,584	5.70%	6.94%

b. Remuneration policies, standards and combinations, procedures for determining remuneration, and their correlation with operating performance and future risks

- i. If the directors of the Company perform their duties, the Company has to pay remuneration to all directors regardless of the Company's operating performance. The Board of Directors is authorized to determine the remuneration for each director in accordance with his/her contribution to the Company, and the Board of Directors shall refer to the usual level of the remuneration for its final decisions.
- ii. The remuneration for the general manager and the deputy general managers of the Company shall be determined in accordance with the provisions of Article 29 of the Company Act.

In summary, the Company's policy of paying the remuneration for the general manager and deputy general managers, and directors, and the procedures for setting remuneration are based on the usual level of remuneration in the industry, and the time invested by each individual, the responsibilities, the accomplishment of personal goals, and their job performance, the salary level for the same position, and the Company's short-term and long-term business objectives, the Company's financial status, and the correlation between individual performance and the Company's operating performance and future risks. The Company's annual revenue (the overall revenue of the whole TCI group, the definition of any "annual revenue" in this report is the same) was NT\$ 8,233,851,000. Compared with the annual revenue of NT\$9,566,132,000 in 2019, the annual revenue dropped by 14%. The pre-tax income in 2020 was NT\$2,198,221,000. Compared with the pre-tax income of NT\$2,405,231,000 in 2019, the pre-tax income dropped by 8.6%. The net income in 2020 was NT\$1,838,792,000. Compared with the net income of NT\$2,016,129,000 in 2019, the net income dropped by 8.8%. The earnings per share was NT\$15.69, which dropped by 7.8% compared with 2019 (NT\$17.02) and showed a positive correlation. The relevant figures have been disclosed in the Annual Report in compliance with the relevant laws and regulations, and therefore the future risk of the Company shall be minor or moderate.

### 3. Board of Directors Meeting Status

#### (1) Board of Directors Meeting Status

There were 8 regular meetings convened in 2020. The directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Notes
Chairman	Yung-Chiang Investment Co., Ltd. Authorized Representative: Yung-Hsiang Lin	4	0	100%	
Chairman	Yung-Hsiang Lin	4	0	100%	Re-elected in June 2020
Director	Yang Guang Investment Co., Ltd. Authorized Representative: Pi-Shu Li	8	0	100%	

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Notes
Director	DyDo Group Holdings, INC. Authorized Representative: Omiya Takamatsu	8	0	100%	
Independent Director	Long-Yi Liao	4	0	100%	
Independent Director	Shou-Lu Chang	4	0	100%	
Independent Director	Shu-Min He	4	0	100%	Re-elected in June 2020
Independent Director	Shih-Ming Li	4	0	100%	Re-elected in June 2020

Annotations:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified.

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act :

Not applicable. The Company has already established an audit committee.

(2) Other resolutions opposed or reserved by the independent directors with records or written statements: None

2. If there are directors 'avoidance of motions in conflict of interest, the director's names, contents of motion, causes for avoidance and voting should be specified.

Meeting Date	The Meeting No.	Proposal	Reasons for Recusal	Participation in Deliberation
2020/03/03	2020 1st Board of Directors	Nomination of the list of candidates for directors (including independent directors).	This case had some benefits for the directors (including independent directors), and the benefits were avoided.	After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection.
2020/04/30	2020 3rd Board of Directors	The Board of Directors is requested to review the list of candidates for nominating directors (including independent directors).	This case had some benefits for the directors (including independent directors), and the benefits were avoided.	After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection.
2020/07/24	2020 4th Board of Directors	The personnel adjustment of company's accounting supervisor	The attending managers avoided interest.	After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Notes
Meeting Date	The Meeting No.	Proposal	Reasons for Recusal	Participation in Deliberation	
2020/07/24	2020 4th Board of Directors	The adjustment of the company's manager's salary	The attending managers avoided interest.	After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection.	
2020/07/24	2020 4th Board of Directors	The company intends to sign a contract for industry-university cooperation and academic feedback mechanism with National Chung Hsing University.	Related parties avoided interests.	After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection.	
2020/10/28	2020 5th Board of Directors	The company's personnel adjustment proposal	The attending managers avoided interest.	After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection.	
2020/10/28	2020 5th Board of Directors	The company's manager's salary-related matters	The attending managers avoided interest.	After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection.	
2020/12/23	2020 6th Board of Directors	The adjustment of the company's manager's salary	The attending managers avoided interest.	After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection.	
2020/12/23	2020 6th Board of Directors	The company's 2020 manager year-end bonus issuance related matters	The attending managers avoided interest.	After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection.	

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Notes
3. The listed and OTC companies should disclose information such as the evaluation frequency and period, evaluation scope, method, and evaluation content of the board's self (or peer) evaluation, and fill out the attached form 2 (2) Board Evaluation Implementation Status.					
4. The objectives of strengthening the functions of the Board of Directors in the current year and the most recent year (such as the establishment of an audit committee, the enhancement of information transparency, etc.) and the assessment of the implementation.					

#### Implementation of Board Evaluation

Frequency (Note 1)	Period (Note 2)	Scope (Note 3)	Method (Note 4)	Content (Note 5)
Once a year	From January 1, 2020 to December 31, 2020	Performance evaluation of the Board of Directors, individual Board members and functional committees	Internal self-evaluation of the Board of Directors, self-evaluation of Directors	<p>(1) Performance evaluation of the Board of Directors: including the extent of participation in the Company's operations, the quality of the board's decisions, the composition and structure of the Board of Directors, the selection and continuous training of Directors, internal control, etc.</p> <p>(2) Individual performance evaluation of Directors: including the Company's objectives and tasks, Directors' responsibilities, participation in the Company's operations, internal relationship management and communication, Directors' professional and continuous training, internal control, etc.</p> <p>(3) Performance evaluation of functional committees: the extent of participation in the company's operations, the recognition of the responsibilities of functional committees, the quality of decisions of functional committees, the composition of functional committees and the selection of members, internal control, etc</p>

## (2) Information of Audit Committee

A. The Company has assembled an Audit Committee entirely of Independent Directors on May 30, 2014. The Committee has the following responsibilities:

- a. The appropriate expression of the Company's financial statements;
- b. The independence and the performance of the CPAs; the selection (dismissal) of the CPAs;
- c. The effective implementation of internal control;
- d. Supervising the Company to comply with relevant laws and regulations;
- e. Controlling the existing or the potential risks of the Company.

### B. Audit Committee Meeting Status

There were 6 regular meetings convened in 2020. The independent directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Notes
Independent Director	Long-Yi Liao	3	0	100.00%	
Independent Director	Shou-Lu Chang	3	0	100.00%	
Independent Director	Shu-Min He	3	0	100.00%	
Independent Director	Shih-Ming Li	3	0	100.00%	
Independent Director	Sung-Yuan Liao	6	0	100.00%	
Independent Director	Chen-Yi Kao	6	0	100.00%	

#### Annotations:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified.

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Meeting Date	The Meeting No.	Proposal	Resolution	TCI's Response to Resolution
2020/3/3	2020 1st Meeting	The company's 2019 internal control system statement	Approved	Not Applicable
2020/3/3	2020 1st Meeting	Amendments to the company's internal control system management measures	Approved	Not Applicable
2020/3/3	2020 1st Meeting	Review of 2019 Business Report and the 2019 Financial Statements	Approved	Not Applicable
2020/3/3	2020 1st Meeting	The company's plan to provide endorsement and guarantee for the subsidiary	Approved	Not Applicable
2020/3/3	2020 1st Meeting	The company's subsidiary's plan to apply for capital loans	Approved	Not Applicable



Meeting Date	The Meeting No.	Proposal	Resolution	TCI's Response to Resolution
2020/3/23	2020 2nd Meeting	Change of certified public accountant	Approved	Not Applicable
2020/4/30	2020 3rd Meeting	Amendments to the company's internal control system management measures	Approved	Not Applicable
2020/4/30	2020 3rd Meeting	Amendments to the Operational Procedures for Acquisition or Disposal of Assets	Approved	Not Applicable
2020/7/24	2020 4th Meeting	Amendments to the company's internal control system management measures	Approved	Not Applicable
2020/10/28	2020 5th Meeting	Amendments to the company's internal control system management measures	Approved	Not Applicable
2020/10/28	2020 5th Meeting	Personnel adjustment of the company	Approved	Not Applicable
2020/12/23	2020 6th Meeting	Amendments to the company's internal control system management measures	Approved	Not Applicable
2020/12/23	2020 6th Meeting	Formulation of the company's 2021 audit plan	Approved	Not Applicable
2020/12/23	2020 6th Meeting	Evaluation of the competency and independence of the certified public accountant	Approved	Not Applicable
2020/12/23	2020 6th Meeting	CPA's Remuneration 2021	Approved	Not Applicable

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors's names, contents of motion, causes for avoidance and voting should be specified : None.

3. Communications between the independent directors, the Company's audit committee and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

(1) The audit committee of the company is composed of all independent directors and convenes at least a meeting every quarter, and may convene meetings at any time as needed.

(2) Communications between the Independent Directors and the audit committee

a. On a regular basis – Reporting the audit findings and the progress of improvement of abnormal matters in audit meetings; replying to the questions raised by the independent directors and strengthening the audit work in accordance with its instructions to ensure the effectiveness of internal control.

b. On an irregular basis – Communicating the audit findings and how to increase the value of audits via telephone or e-mail, or in person; notifying the independent directors if any major violation is found.

c. The major matters of communication in 2020 are shown as following table:

Date	Content of Communication	Implementation
March 3, 2020	1. Reporting the execution progress of the annual audit plan from December 2019 to February 2020. 2. Reviewing the 2019 Statement of Internal Control System	1. Well understood 2. Proposal submitted to the Board of Directors for resolution after approval of the Audit Committee

Date	Content of Communication	Implementation
April 30, 2020	Reporting the execution progress of annual audit plan in March, 2020	Well understood
July 24, 2020	Reporting the execution progress of the annual audit plan from April to June.	Well understood
October 28, 2020	Reporting the execution progress of the company's audit plan from July to September 2020.	Well understood
December 23, 2020	1. Reporting the execution progress of the company's audit plan from October to November 2020. 2. Formulating the company's 2021 audit plan. 3. The company's certified accountant's suitability and independence assessment 4. 2021 annual remuneration proposal for certified accountants.	1. Well understood 2. Proposal submitted to the Board of Directors for resolution after approval of the Audit Committee 3. Proposal submitted to the Board of Directors for resolution after approval of the Audit Committee 4. Proposal submitted to the Board of Directors for resolution after approval of the Audit Committee

(3) Communications between the CPAs and the Audit Committee

- a. On a regular basis: The CPAs shall communicate with the audit committee on the audit plan, implementation status and results during the period before and after checking the semi-annual report and the annual report.
- b. On an irregular basis: If there is any case related to business operations and internal control that need immediate communication and discussion, the meeting shall be arranged depending on the circumstances.
- c. The major matters of communication in 2020 are shown as follows:

Date	Content of Communication	Implementation
2020/3/3	2019 individual and consolidated financial statements	The CPAs shall disclose the matters that should be disclosed in the audit report by the financial statements.
2020/4/30	2020 Q1 individual and consolidated financial statements	The CPAs shall disclose the matters that should be disclosed in the audit report by the financial statements.
2020/7/24	2020 Q2 individual and consolidated financial statements	The CPAs shall disclose the matters that should be disclosed in the audit report by the financial statements.
2020/12/23	2020 Q3 individual and consolidated financial statements	The CPAs shall disclose the matters that should be disclosed in the audit report by the financial statements.

### (3) Taiwan Corporate Governance Implementation as Required by Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Non-Implementation and Its Reason(s)
	Yes	No	Brief Explanation	
1. Does the Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices?	✓		The Company has formulated the Corporate Governance Best Practice Principles and disclosed the relevant information on the official website and the Market Observation Post System (MOPS).	None
2. Shareholding Structure & Shareholders’ Rights				
(1) Does the Company have Internal Operating Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	✓		1. The Company has a spokesperson and an agent spokesperson to deal with matters such as shareholder suggestions or disputes, and has a legal department to consult relevant legal issues.	None
(2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?	✓		2. The Company has a dedicated staff to manage the relevant information and appoints a securities firm's stock agent to assist in the handling of share-related matters and to obtain a final list of the major shareholders and major shareholders of the actual control company.	None
(3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	✓		3. The Company has established a relationship transaction management method and a subsidiary company supervision and management approach to establish an appropriate risk control mechanism and firewall, and the audit personnel regularly check the implementation situation.	None
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓		4. The Company has established the “Measures for the Prevention of Insider Trading and Internal Major Information Processing Management”. The insiders of the Company shall not use the undisclosed information on the market to buy and sell securities.	None
3. Composition and Responsibilities of the Board of Directors				
(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	✓		1. The Company has a "Nominating Committee" and adopts the "Nomination System for Candidates". The list of recommended candidates for directors and independent directors is reviewed by the Nominating Committee and finalized by the Board of Directors to provide in the shareholders' meeting. According to the Company's Code of Practice on Corporate Governance, the composition of the Board of Directors should be considered in a diversified manner. Except for the director who is also a manager of the Company, it is not appropriate to exceed one-third of the Board of Directors, and recruit talents with different professional backgrounds, including (but not limited to) skills, region, professional experience, cultural and educational background, gender and other traits to enhance the ability to	None

Assessment Item	Implementation Status								Non-Implementation and Its Reason(s)
	Yes	No	Brief Explanation						
			operate the Board. The current Board of Directors consists of 7 directors, including 3 directors and 4 independent directors. The members have extensive experience and expertise in finance, business and management:						
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	✓		2. In addition to setting up the payroll committee and the audit committee according to law, the Company has set up a nomination committee in 2016 (Note 1).						None
(3) Has the Company established a methodology for evaluating the performance of its Board of Directors, on an annual basis?	✓		3. The Company has established the “Rules for Self-Assessment or Peer Evaluation of the Board of Directors”. According to Article 3 of the present Measures, the Board of Directors of the Company shall perform at least one performance evaluation of the internal Board of Directors each year. The internal evaluation period of the Board shall be based at the end of each year. The assessment procedures and assessment indicators for Articles 6 and 8 are used for annual performance evaluation. The Company performed the annual performance appraisal at the end of 2020 and reported the 2020 director self-assessment to the Nomination Committee and the Board of Directors on May 7, 2021.						None

Assessment Item	Implementation Status			Non-Implementation and Its Reason(s)
	Yes	No	Brief Explanation	
(4) Does the Company regularly evaluate its external auditors' independence?	✓		4. The accounting department of the Company evaluates the independence of the CPAs on its own, and the result proposal is reviewed and approved by the Audit Committee and the Board of Directors on October 30, 2019. Appraisal by the accounting department of the Company, Certified Public Accountants, Ming-Chuan Hsu and Kuo-Hua Wang, all of which are in line with the Company's independent evaluation criteria (Note 2), can be used as the Company's CPAs, accounting firm and issue a statement (Note 3).	None
4. Has the Company established a full- (or part-) time corporate governance unit or assigned personnel to take charge of corporate governance affairs (including but not limited to provide information required for business execution for directors and supervisors, handle matters related to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, record minutes of board meetings and shareholders meetings)?	✓		<p>The Chairman's Office of the Company is responsible for corporate governance-related matters and the legal manager is the head of corporate governance. In order to strengthen the functions of the Board of Directors, the main duties of these staff members and the organization are to provide the directors with the information required to carry out the business and the latest regulatory developments related to the company's operations to assist the directors in legal compliance. The main duties are as follows:</p> <ol style="list-style-type: none"> <li>1. Notifying board members of the Company's business scope and the latest developments in corporate governance-related regulations.</li> <li>2. Conducting a course (taught by at-home tutors) of at least 6 credits for the board members; evaluating the purchase of appropriate liability insurance for directors and important staff members.</li> <li>3. Formulating the agenda of a Board Meeting, which shall be informed to the Directors seven days prior to the meeting; informing issues that require avoidance of interests and completing the minutes of the board meeting within 20 days after the meeting.</li> <li>4. Conducting performance evaluations of the Board of Directors and individual directors annually.</li> <li>5. Establishing diversified channels for the communication with investors.</li> <li>6. Handling the pre-registration of the date of the shareholders' meeting in accordance with the law, making a notice of the meeting within the statutory time limit, discussing the proceedings, and recording the proceedings, and applying for change registration in the revised charter or director re-election.</li> </ol>	None
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	✓		The Company has a spokesperson and an agent spokesperson, and has an investor section and shareholder column on the Company's website, providing a contact channel for stakeholders, including shareholders, bankers and other creditors, employees, customers, and suppliers so that both the business and the stakeholders of the Company may maintain smooth communications.	None

Assessment Item	Implementation Status			Non-Implementation and Its Reason(s)
	Yes	No	Brief Explanation	
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	✓		The Company has appointed Fubon Securities Co., Ltd. to handle the affairs of the shareholders' meetings and hired full-time staff for the relevant tasks.	None
7. Information Disclosure				
(1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	✓		1. Through the Company's website, there is an investor's special section, where monthly financial information such as camping and collection is disclosed and a link to MOPS is provided for the public to obtain major information; and the Company's relevant regulations and the Company's relevant regulations and the self-assessment reports are put on the corporate governance section, and investors can use MOPS to obtain financial, business and corporate governance information.	None
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)?	✓		2. The Company has a spokesperson and spokesperson, and has a special person in the investor relations management department responsible for the collection and disclosure of company information. At present, all the corporate briefing sessions have been uploaded to the Company's website. Other relevant information that should be disclosed is revealed on MOPS.	None
(3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third-quarter financial reports and the monthly operating situation within the prescribed deadline?		✓	3. The Company fails to announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third-quarter financial reports and the monthly operating situation within the prescribed deadline.	No significant difference
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	✓		1. Employees' Rights and Interests: The Company has established a staff welfare committee in accordance with the law, implemented a pension system, and handled various employee training courses, attaching importance to labor harmony. 2. Employee care: The Company provides employee bonus, year-end bonus and other welfare measures, and protects the legitimate rights and interests of employees according to the labor law and other relevant regulations. 3. Investor Relations: The Company has been legally required to provide honest and open information on the MOPS and to include the mail address for investor relations and the spokesperson's contact information to protect the interests of investors and maintain a benign and harmonious relationship between the Company and its shareholders. 4. Supplier Relationship: The Company has a supplier management section in the internal control written system "Purchasing and Payment Cycle" to ensure that suppliers' delivery, quality and price are in line with the Company's needs, so that they have good communications and collaborative partnership.	None

Assessment Item	Implementation Status			Non-Implementation and Its Reason(s)																									
	Yes	No	Brief Explanation																										
			<p>5. Rights of interested parties: The Company has a spokesperson and acting spokesperson, and the stakeholders have a smooth communication channel with the bank and other creditors, employees, customers, suppliers and stakeholders. Any legal issue will be handled by the legal department of the Company to safeguard the interests of interested parties.</p> <p>6. The Directors and the Supervisors are involved in the refresher course in accordance with the requirements of the "Listing Examples of the Directors and Supervisors of the Listed Companies". The refresher courses in 2020 are as follows:</p> <table border="1"> <thead> <tr> <th>Director</th><th>Date</th><th>Organizer</th><th>Course Name</th><th>Course Hours</th></tr> </thead> <tbody> <tr> <td>Yung-Hsiang Lin</td><td rowspan="5">2020/12/10</td><td rowspan="5">Corporate Operation Association of the Republic of China (Taiwan)</td><td>Discussion on the legal issues of listing, mergers and acquisitions and going-private transactions: taking biotechnology companies as an example</td><td>3</td></tr> <tr> <td>Tomiya Takamatsu</td><td rowspan="4">Introduction to the "New Corporate Governance Blueprint" and M&amp;A-related corporate governance practices</td><td rowspan="4">3</td></tr> <tr> <td>Shih-Ming Li</td></tr> <tr> <td>Sung-Yuan Liao</td></tr> <tr> <td>Chen-Yi Kao</td></tr> <tr> <td rowspan="2">Pi-Shu Li</td><td>2020/9/7</td><td>Accounting Research and Development Foundation in Taiwan</td><td>Supervisor, corporate governance personnel practice analysis</td><td>3</td></tr> <tr> <td>2020/9/30</td><td>Securities and Futures Institute</td><td>Briefing Session on Legal Compliance in Insider Equity Transactions</td><td>3</td></tr> </tbody> </table>	Director	Date	Organizer	Course Name	Course Hours	Yung-Hsiang Lin	2020/12/10	Corporate Operation Association of the Republic of China (Taiwan)	Discussion on the legal issues of listing, mergers and acquisitions and going-private transactions: taking biotechnology companies as an example	3	Tomiya Takamatsu	Introduction to the "New Corporate Governance Blueprint" and M&A-related corporate governance practices	3	Shih-Ming Li	Sung-Yuan Liao	Chen-Yi Kao	Pi-Shu Li	2020/9/7	Accounting Research and Development Foundation in Taiwan	Supervisor, corporate governance personnel practice analysis	3	2020/9/30	Securities and Futures Institute	Briefing Session on Legal Compliance in Insider Equity Transactions	3	
Director	Date	Organizer	Course Name	Course Hours																									
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Assessment Item	Implementation Status				Non-Implementation and Its Reason(s)			
	Yes	No	Brief Explanation					
			Director	Date	Organizer		Course Name	Course Hours
			Shu-Min He	2020/1/20	Securities and Futures Institute		Analysis and decision-making application of corporate financial information	
				2020/1/20	Securities and Futures Institute		An explanation of how directors and supervisors supervise the establishment of a company’s whistleblower system and an introduction to the draft law of exposing fraud in my country	
				2020/1/21	Securities and Futures Institute		The discussion of enterprises facing information security governance-with emphasis on legal practice	
				2020/12/10	Corporate Operation Association		Discussion on legal issues related to corporate listing, mergers and acquisitions and delisting transactions: Taking biotech companies as an example	
				2020/12/10	Corporate Operation Association		Responsibilities of directors, supervisors and managers in corporate mergers and acquisitions	
			7. Implementation of risk management policies and risk measurement standards: The Company has established various internal regulations in accordance with the law and followed them to control risks.					
			8. Implementation of customer policy: The Company sets up the business department, provides services and consultations for customers' products, and maintains a smooth communication channel with customers and has a customer complaint handling procedure to protect customer rights.					



Assessment Item	Implementation Status			Non-Implementation and Its Reason(s)
	Yes	No	Brief Explanation	
			9. The Company purchased liability insurance for directors and supervisors: The Company has purchased liability insurance for directors.	
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange: (1) The Company reviews the results of recent corporate governance evaluations and the Company governance evaluations released in the most recent year. It examines the indicators that are still in line with the scoring standards, arranges improvement schedules, and continuously improves most of the non-compliance projects. (2) The Company will prepare a corporate social responsibility report in accordance with GRI4 this year. (3) The Company will strengthen the Company's promotion of integrity management and internal work rules, strengthen the promotion of unethical behavior and its rectification system, and disclose relevant rules and regulations on the Company's website.				

Note 1: In order to improve the nomination system for the directors and functional committee members of the Company, the Board of Directors resolved to establish a “nomination committee”. According to the organization rules of the nomination committee of the Company, the committee is composed of at least three directors, of which more than half of the independent directors should participate. At present, the nomination committee of the Company consists of the chairman and all four independent directors, according to the organization rules of the nomination committee. His duties include:

- Develop criteria for diversified background and independence of expertise, technology, experience and gender required for board members, supervisors and senior managers, and seek, review and nominate candidates of directors, supervisors and senior managers.
- Build and develop the organizational structure of the Board of Directors and committees, conduct performance evaluations of the Board of Directors, committees, directors and senior managers, and assess the independence of independent directors.
- Propose and regularly review the director's progress plan and the succession plan for directors and senior managers.
- Set the Company's corporate governance code of practice.

The Nominating Committee convenes a meeting at least twice a year. For the meeting of the Committee and the attendance rate of each member, please visit the MOPS.

The list of members of the third nomination committee of the Company is as follows:

Name	Nominating Committee
Yung-Hsiang LinChairman	V
Independent Director, Sung-Yuan Liao	V(Chair)
Independent Director, Chen-Yi Kao	V
Independent Director, Shih-Ming Li	V
Independent Director, Shu-Min He	V

Note 2: TCI Co., Ltd. 2020 annual assessment report on the independence of CPAs

The CPA Firm in 2020: PricewaterhouseCoopers Taiwan

The CPAs in 2020: Ming-Chuan Hsu and Ping-Chun Chi

1. The appointed accountants have no significant financial interest in the Company.
2. The appointed accountants shall avoid any inappropriate relationship with the Company.
3. The appointed accountants should ensure that their assistants are honest, impartial and independent.
4. The appointed accountant has not held the position of director, supervisor or manager of the company or any position that has a significant influence on the audit case within the past two years; it is also determined that he will not hold the aforementioned relevant positions during the future audit period.
5. During the audit period, the appointed accountants and their spouses or dependent relatives have not served as directors and supervisors of the Company or have direct and significant influence on the audit work. During the audit period, the close relatives within the fourth degree of kinship of the appointed accountants who are the directors or managers of the Company or who have direct and significant influence on the audit work shall reduce their noncompliance with the independence procedures to acceptable extent.
6. The appointed accountants have not given or accepted any benefits or gifts with a great value (the value that exceeds the standard of general social etiquette).
7. The name of an appointed accountant shall not be used by others.
8. Loans between the appointed accountants and the Company are not allowed, excluding normal transactions with the financial industry.
9. The appointed accountants shall not concurrently engage in other businesses that may lead to the loss of their independence.
10. The appointed accountants shall not receive any commission related to the business.
11. The appointed accountants shall not hold shares of the Company.
12. The appointed accountants shall not concurrently serve as regular employees of the Company and shall be entitled to a fixed salary.
13. The appointed accountants shall not have a joint investment or share of interest with the Company.
14. The appointed accountants shall not be involved in the management functions of the Company in making decisions.

**Evaluation results: all meet standards for independence.**

### Auditor's Independence Declaration

To: TCI Co., Ltd.

Issuance No.:PwC20005474

Subject: At the request of TCI Co., Ltd. (hereinafter referred to as the "Company"), PwC has evaluated its independence from the Company in accordance with the provisions of The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 "Integrity, Objectivity and Independence". The evaluation results and the issuance of the statement are as explained; please check.

Explanation:

1. According to the provisions of Article 4 of The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10 (hereinafter referred to as "Bulletin No. 10"), when checking and reviewing a financial statement, an accountant shall "not only maintain substantial independence but, more importantly, maintain formal independence. Therefore, the members of his or her audit team, other co-practicing accountants, the audit firm, and firm-related enterprises (hereinafter referred to as the "members of the audit team and related parties of the firm") must maintain independence from the audit clients ". Also, it is stated in Article 7 of Bulletin No.10 that "independence may be affected by self-interest, self-assessment, advocacy, familiarity, and coercion." PwC, in response to the factors that may affect the independence described as in Article 7, declares that the independence of PwC has not been affected by the above factors.
2. Independence is not affected by self-interest: PwC declares that, between the members of the audit team and related parties of the firm and the Company or its directors or supervisors, there are not any: 1)direct or significant indirect financial interest; 2) close business relationship; 3) potential employment; 4) Financing or guarantee.
3. Independence is not affected by self-assessment: PwC declares that the members of the audit team have not held the positions of directors and supervisors of the Company or any positions that have directly influenced the audit case in the past two years; Also, PwC does not provide any non-audit service that directly affects the audit case.
4. Independence is not affected by advocacy: PwC declares that the members of the audit team have not been commissioned to be defenders of the Company or coordinated conflicts with any third party on the Company's behalf.
5. Independence is not affected by familiarity: PwC declares that 1) there is no kinship between the members of the audit team and the Company's Directors, supervisors, managers, or staff members that have a significant influence on the audit case; 2) the co-practising accountants, within one year after the audit case, have not held any positions as directors, supervisors or managers of the company or any positions that have a significant influence on the audit case; 3) the members of the audit service team have never given or accept benefits or gifts of great value from the company, or the Company's Directors, supervisors or managers.
6. Independence is not affected by coercion: PwC declares that the members of the audit team have not received or accepted any improper demands of your company 's management regarding accounting policy choices or disclosure of financial statements, or the demands to reduce the audit work that should be performed on the grounds of reducing the audit fee, which cause doubt in objectivity and professionalism.
7. PwC hereby declares that the above matters are executed in accordance with the relevant operational procedures for PwC's client independence inspection and that PwC has exercised professional due care.

PwC Taiwan

Ming-Chuan Hsu

徐明釗



Accountants

Ping-Chun Chi

支秉鈞



April 30, 2020

#### (4) The Composition of the Remuneration Committee, Responsibilities, and Operation

##### A. Information of Remuneration Committee Members:

Title (Note 1)	Criteria  Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Criteria (Note 2)										Number of Other Taiwanese Public Companies Concurrently Serving as a Remuneration Committee Member	Notes
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Shu-Min He		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Notes
Independent Director	Shih-Ming Li			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Sung-Yuan Liao	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chen-Yi Kao	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please state the identity as Director, Independent Director or others.

Note 2: If the Remuneration Committee Members, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

1. Not an employee of the company or any of its affiliates;
2. Not a director or supervisor of the company or any of its affiliates.;
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;
5. Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law.
6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
7. Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;
9. Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000";
10. Not been a person of any conditions defined in Article 30 of the Company Law.

## B. Compensation (Remuneration) Committee Meeting Status

- a. There are 4 members in TCI's Remuneration Committee.
- b. The current term of office is from June 18, 2020 to June 17, 2023. There were 4 meetings convened in 2020. The members' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (B/A)	Notes
Chair	Long-Yi Liao	2	0	100%	2020/6/18 Dismissal
Member	Shou-Lu Chang	2	0	100%	2020/6/18 Dismissal
Member	Shu-Min He	2	0	100%	2020/6/18 New Appointment
Member	Shih-Ming Li	2	0	100%	2020/6/18 New Appointment
Member	Sung-Yuan Liao	4	0	100%	
Member	Chen-Yi Kao	4	0	100%	

### Annotations:

#### 1. The Operation of Remuneration Committee

Meeting Date	Meeting	Proposal	Resolution	TCI's Response to Resolution
2020/4/30	2020 1 <sup>st</sup> Meeting	1. 2019 remuneration distribution to employees and Directors of the Company	Approved without objection	Approved by the Board of the Director
2020/7/24	2020 2 <sup>nd</sup> Meeting	1. Matters related to the salary of company managers	Approved without objection	Approved by the Board of the Director
2020/10/28	2020 3 <sup>rd</sup> Meeting	1. Matters related to the salary of company managers	Approved without objection	Approved by the Board of the Director
2020/12/23	2020 4 <sup>th</sup> Meeting	1. Salary adjustment of company managers 2. The distribution of the company's 2020 manager year-end bonus	Approved without objection	Approved by the Board of the Director

2. If the Board of Directors does not accept or amend the suggestions of the Remuneration Committee, please state the Board meeting date, term, the motions, content of the resolutions of the Board, and the Company's handling of the opinions proposed by the Remuneration Committee : None.
3. For resolutions reached by the Remuneration Committee regarding which Independent Directors have voiced opposing or qualified opinions on the record or in writing, the Remuneration Committee meeting date, period, content of the resolution, opinions of all members, and the handling of the opinions of the members : None.

### (5) Corporate Social Responsibility

Evaluation Item	Implementation Status (Note 1)			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TAPEX Listed Companies” and the root causes
	Yes	No	Brief Explanation (Note 2)	
1. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? (Note 3)	✓		The Company conducts risk assessments on environmental, social and corporate governance issues related to the Company's operations based on the principle of materiality. The Company has also formulated the "Corporate Social Responsibility Code of Practice" for compliance.	None
2. Has the Company set up a full-time (part-time) unit in charge of CSR promotion which the Board of Directors authorizes the senior management to handle and is responsible for reporting the progress to the Board of Directors?	✓		The Administration Service Center is in charge of promoting the corporate social responsibilities of the Company, regularly organising charity fundraising events and participating in social welfare activities. The director of corporate governance also attended the Board of Directors for inquiries.	None
3. Environmental sustainability				
(1) Has the Company established an appropriate environmental management system according to its industrial characteristics?	✓		(1) The Company pays attention to global environmental issues and trends. In addition to complying with environmental laws and regulations in the locations of global operations, the Company also establishes an environmental management system (in line with ISO 14001) and a quality management system (in line with ISO 9001) jointly with customers and suppliers and promotes related management measures, with the management systems, to ensure that the health and safety of customers and consumers are checked in processes such as product development, manufacturing, and sales services.	None
(2) Is the company committed to improving the utilization of various resources and using recycled materials with low environmental impact?	✓		(2) The company strengthened energy management and reduced the load on air conditioners and motors in the factory in 2020. It is estimated that the annual electricity consumption can be saved by 42,478 degrees. Starting from 2021, steam connection pipes and constant temperature control of air conditioners will be installed to effectively use energy. It is	None

Evaluation Item	Implementation Status (Note 1)			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TAPEX Listed Companies” and the root causes
	Yes	No	Brief Explanation (Note 2)	
(3) Does the Company pay attention to the impact of climate change on the operation activities, implement greenhouse gas inventories, and form an energy-saving, carbon-reduction, and greenhouse emission reduction strategy?	✓		<p>expected to save natural gas every year. 410,000 kWh and electricity consumption 75,000 kWh.</p> <p>The company attaches great importance to local procurement and purchases banana peels, young jujube fruits, peanut membranes, longan shells, djulis shells, etc., from local small farmers. It uses agricultural by-products or agricultural waste as raw materials for production with the application of a circular economy. The company will also strengthen the opportunities for the circular economy in the value chain and manufacturing process in the future.</p>	None
(4) Has the Company measured its greenhouse gas emissions, water consumption, and the total weight of waste in the past two years, and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction, or other waste management?	✓		<p>(3) The company has established a sustainability promotion committee internally to analyze international trends related to climate change and issues of concern to the industry. The company now uses the Task Force on Climate-related Financial Disclosures (TCFD) framework to identify risks (including transformational risks and entity risks) and opportunities and establish measurable and manageable indicators and targets based on the identification results. With the research and development of management measures such as response mitigation and adjustment, the Company can respond to related issues facing climate change in the future.</p> <p>(4) The company continuously collects statistics on greenhouse gas emissions and other data, which are disclosed in the corporate social responsibility report. The greenhouse gas emissions in 2020 were 28,696 tonCO<sub>2</sub>e, and the main source of emissions came from the use of electricity. The company joined the "RE100" in 2018, and is committed that by 2030, the factories in Pingtung Panshi Park, including the S5 functional beverage factory, S9 functional food</p>	None

Evaluation Item	Implementation Status (Note 1)			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TAPEX Listed Companies” and the root causes
	Yes	No	Brief Explanation (Note 2)	
			<p>factory and S11 green facial mask factory, will use 100% green electricity. According to statistics, by the end of 2020, the installed capacity of solar energy devices reached 1,122,534.5 kW. In the future, it will implement its commitments in three ways: Use the Taiwan Renewable Energy Certificate (T-REC) with the International Renewable Energy Certificate (I-REC), sign renewable energy power purchase agreements (PPA) with renewable energy power generation companies, and use self-use solar power generation systems in the factory.</p> <p>Facing the 2050 net zero carbon emission trend, the company continues to plan carbon reduction targets. In 2021, the Company was recognized by the Science Based Targets Initiative (SBTi) as “committed” to aligning its actions to reduce greenhouse gas emissions with climate science and has become Asia’s first biotechnology company whose carbon emission reduction targets are validated by the SBTi. The Company is committed to reducing Scope 1 and Scope 2 emissions by 51% and Scope 3 emissions by 15% in line with the SBTi’s criteria while pursuing efforts to limit warming to 1.5°C to honor its commitment to 100% renewable electricity by 2030 in line with RE100. The company's water consumption in 2020 will increase by 7% compared to 2019. In the context of water scarcity, in 2021, we will increase water recycling through a number of water-saving plans. The company has taken measures to reduce the amount of three kinds of waste: general waste, plant waste, and sludge, and it is estimated that it can save 40% of the waste treatment fee.</p>	



Evaluation Item	Implementation Status (Note 1)			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TAPEX Listed Companies” and the root causes
	Yes	No	Brief Explanation (Note 2)	
4. Social welfare				
(1) Has the Company stipulated management policies and procedures in accordance with the human right-related laws and regulations and international conventions on human rights?	✓		(1) The Company complies with the Labor Standards Law, the Employment Service Law and the Act of Gender Equality in Employment and other relevant laws and regulations and respects the internationally recognized basic labor human rights principles to protect the legitimate rights and interests of employees.	None
(2) Does the company formulate and implement reasonable employee benefit measures (including compensation, vacations and other benefits), and is the Company's operating performance or results properly reflected in employee compensation?	✓		(2) The Company enrolls its employees in the labor insurance and health insurance, and employee pensions, and provides incentives such as employee dividends and year-end bonuses. The Company has also established the Staff Benefit Committee to provide welfare funds according to law, and held regular meetings to formulate and promote various benefit measures.	None
(3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education for employees regularly?	✓		(3) The Company, in compliance with the Occupational Safety and Health Act and relevant laws and regulations, maintains and supervises the work environment of the factories and offices. New employees shall provide their results of health checks received within 3 months; also health checks for the employees of the factories are conducted in the middle of each year. As for the headquarters in Taipei, it is stipulated that full health checks for the staff shall be conducted every 2 years and that simple health checks shall be held from time to time depending on the circumstances of the year. In order to maintain the safety of the office, it is not allowed to place flammable and dangerous articles in the office. According to the smoke prevention and control law, the indoor work and public places shall be completely banned. The drinking water equipment that meets the drinking water standard shall be set up in the workplace, and cleaned and maintained regularly. The workplace sanitation management	None
	✓			
	✓			
	✓			

Evaluation Item	Implementation Status (Note 1)			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TAPEX Listed Companies” and the root causes
	Yes	No	Brief Explanation (Note 2)	
			and cleaning and maintenance committee shall maintain the hygienic quality of the work environment regularly by professional cleaning companies. Outsourcing environmental monitoring, firefighting, and first-aid drills are carried out at the Precise iManufacturing Center every six months, and labor safety and health education and training is also held every six months.	
(4) Has the Company established an effective career ability development program for the employees?			(4) The Company sets up its annual plan for the next year based on the discussion between supervisors and employees about their career development.	None
(5) Does the Company comply with relevant laws and regulations and international standards in terms of the marketing and labeling of its products and services?			(5) The Company has signed quality contracts with key R&D and production suppliers to ensure the quality of the final R&D products in the future. It also has a laboratory for product inspection and backtracking product batch numbers to ensure consumer safety. The Company has set up a business department to provide customer with product services and consultation, maintaining a smooth communication channel with customers, and in the internal control system, set up a customer complaint handling process, where the customer would be assisted by the project manager and quality control unit, who would clarify the customer's situation, quickly eliminate the exception and give the customer improvement plan and answer to protect the customer's rights. For the marketing and labeling of products and services, the Company complies with relevant regulations and international standards.	None
(6) Has the Company formulated supplier management policies that require suppliers to follow regulations related to environmental protection, occupational safety and health or labor rights, and ensured their implementation?			(6) The procurement department of the Company regularly conducts supplier evaluation according to the internal control system. If there is a bad reputation record, it will not be included in the qualified supplier.	None

Evaluation Item	Implementation Status (Note 1)			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TAPEX Listed Companies” and the root causes
	Yes	No	Brief Explanation (Note 2)	
			The contract between the Company and its major suppliers does not include provisions for the supplier to terminate or terminate the contract at any time if it involves a violation of its corporate social responsibility policy and has a significant impact on the environment and society. In practice, preventive measures have been taken in the supplier's assessment. If there is a significant impact, the contract will be terminated and terminated immediately in accordance with the Company's Corporate Social Responsibility Code.	
5. Does the company make reference to internationally-used report preparation standards or guidelines to prepare corporate social responsibility reports and other reports that disclose the company's non-financial information? Are the aforementioned reports verified by a third party?	✓		The Company makes reference to internationally-used report preparation standards or guidelines to prepare corporate social responsibility reports, and the reports are verified by competent units.	None
6. If the Company has the “Corporate Social Responsibility Best-Practice Principles” stipulated in accordance with the “Corporate Social Responsibility Best-Practice Principles for TWSE/TAPEX Listed Companies,” please state its deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TAPEX Listed Companies” in operation : No significant deviation.				
7. In order to publicly show the Company's philosophy and commitment in response to the trends in sustainable development and the Company's efforts and perseverance on various sustainability-related issues, the Company has published its 2018 CSR report on the CSR section of its official website (www.tci-bio.com).				

## (6) Ethical Corporate Management

Evaluation Item	Implementation Status (Note)			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TAPEX Listed Companies” and the root causes
	Yes	No	Brief Explanation	
1. Formation of ethical management policies and methods				
(1) Has the Company explicitly declared the ethical management policy and method in the Articles of Incorporation and external documents as well as the commitment of the Board of Directors and the management to actively implement the operating policies?	✓		(1) The company has formulated the "Ethical Corporate Management Best Practice Principles", and all business operations are based on the Principles.	None
(2) Has the Company adopted preventive measures in response to Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or preventive measures for business activities within their business scope which are at a higher risk of being involved in unethical conduct?	✓		(2) In addition to the prohibition of unethical conduct in the Ethical Corporate Management Best Practice Principles, regulations for compliance with the Principles and relevant policies have also been disclosed, and the Company's "Integrity Procedures and Behavior Guidelines" have been established.	None
(3) Has the Company stipulated the prevention programs to forestall unethical conduct and specified in the programs the operational procedures, guidelines, and punishments and the grievance system and implemented the programs?	✓		(3) The Company has specified in the Company's "Integrity Procedures and Behavior Guidelines" the scope and authority of the prevention programs and has stipulated in the "Work Regulations" that if an employee is confirmed to engage in unethical conduct, he or she will be dismissed.	None
2. Implementation of Ethical Management				
(1) Does the Company evaluate the integrity record of the counterparty and clearly stipulate the terms of integrity in the contract signed with the counterparty?	✓		(1) When the Company signs a contract with others according to the "Ethical Corporate Management Best Practice Principles", the Company should fully understand the other party's integrity management status and should incorporate the content of ethical management into the contract terms or specify the ethical management-related matters.	None
(2) Has the Company set up a dedicated unit affiliated to the Board of Directors to promote ethical corporate management, which regularly (at least once a year) reports its implementation to the board of directors?	✓		(2) It is clearly stipulated in the Ethical Corporate Management Best Practice Principles that the Company's Legal Affairs unit is responsible for the formulation of ethical management policies and prevention programs and that the internal auditors	None

Evaluation Item	Implementation Status (Note)			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TAPEX Listed Companies” and the root causes
	Yes	No	Brief Explanation	
(3) Has the Company developed policies to prevent conflicts of interest, provided adequate channels for communication and implemented the policies?	✓		are responsible for supervising the implementation of the programs and submitting audit reports to the Board of Directors. (3) Recusal-related regulations are clearly stipulated in the Ethical Corporate Management Best Practice Principles. Contact persons for all business operations are assigned, and the contact information (email) and relevant operating regulations are posted on the official website for query and compliance purposes.	None
(4) Has the Company established effective accounting systems and internal control systems to implement ethical management; also, have audits been performed by the internal audit unit on a regular basis or by the commission CPAs?	✓		(4) The Company has a dedicated audit unit that regularly conducts internal audits and control, and the relevant operating regulations are announced on the official website.	None
(5) Does the Company regularly organize internal and external education and training programs on ethical management?	✓		(5) The Company promulgates the relevant regulations on ethical management through regular supervisor meetings and internal department meetings.	None
3. The operation of the Company’s whistleblowing system				
(1) Has the Company formulated a specific reporting and reward system, established convenient whistleblowing channels, and assigned appropriate persons in charge of handling the whistleblowing case according to the subject?	✓		(1) The Company has specified the whistleblowing and punishment system in Ethical Corporate Management Best Practice Principles, and announced to all colleagues. Employees can submit whistleblowing reports to senior executives in any form.	None
(2) Has the Company established the standard operating procedures for whistleblowing investigations, the follow-up measures to be taken after the investigations are completed, and the relevant confidentiality mechanism?	✓		(2) The investigation standard operating procedures and related confidentiality mechanisms have been stipulated in the Company's Integrity Procedures and Conduct Guidelines.	None
(3) Has the Company taken measures to protect the whistleblowers from improper treatment due to the whistleblowing?	✓		(3) The Company adopts an anonymous whistleblowing policy to protect the whistleblower from improper treatment due to whistleblowing.	None
4. Enhancement of information disclosure				
(1) Has the company disclosed on its website and MOPS the content of the Ethical Corporate Management Best Practice Principles and implementation results?	✓		(1) The company has disclosed the content of its Ethical Corporate Management Best Practice Principles on its website and MOPS.	None

Evaluation Item	Implementation Status (Note)			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TAPEX Listed Companies” and the root causes
	Yes	No	Brief Explanation	
5. If the Company has stipulated the “Ethical Corporate Management Best Practice Principles” in accordance with the “Ethical Management Best-Practice Principles for TWSE/TAPEX Listed Companies,” please state its deviation from the “Ethical Management Best-Practice Principles for TWSE/TAPEX Listed Companies” in operation : The Company's cooperation with various manufacturers and organizations is handled in accordance with the principle of integrity management, and the "Ethical Corporate Management Best Practice Principles" have been established and approved by the Board of Directors. The Board of Directors and management promised to actively implement ethical management in internal management and external business activities.				
6. Other important information helpful understanding the ethical management operation:(For example, reviews and revision of the Company's Ethical Corporate Management Best Practice Principles) The Company is based on honesty, and strives to be responsible for investors, users and society. In addition, the Company and related manufacturers and partners are mostly in long-term cooperative relationships and set up relevant full-time personnel to participate in business operations, maintain long-term stable cooperative relations and clearly define the code of conduct and rewards and punishments in the employee handbook, and strive to operate in good faith.				

(7) The Company has the corporate governance Best-Practice Principle and the related inquiries established : The Company website (<https://www.tci-bio.com/Investor/Rules/zh-tw/>) is with the corporate governance section designated for investor’s inquiring and downloading corporate governance-related regulations; also, it is published on the MOPS.

(8) Other important information helpful in understanding the corporate governance operation : None.

## (9) The implementation of the internal control system

### A. Statement of Internal Control System

#### **TCI Co., LTD.**

#### **Statement of Internal Control System**

Date: March 8, 2021

Based on the findings of a self-assessment, TCI Co., Ltd. (TCI) states the following with regard to its internal control system during the year 2020

1. TCI's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system, and TCI has established such a system. Our internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations.
2. An internal control system has its inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishment of the objectives mentioned above. Furthermore, the effectiveness of an internal control system may be subject to changes due to circumstances beyond control. Nevertheless, the internal control system of TCI contains self-monitoring mechanisms, and TCI takes actions in response to any identified deficiencies.
3. TCI evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the Regulations"). The criteria adopted by the Regulations identify five components of managerial internal control : (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities, Each component further contains several items. Please refer to the Regulations for details.
4. TCI has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, TCI believes that, on December 31, 2019, it has maintained, in all material respects, and effective internal control system (that included the supervision and management of subsidiaries), to provide reasonable assurance over operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of TCI's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors in their meeting on March 8, 2021, with all of the seven attending directors all affirming the content of this Statement.

TCI Co., Ltd.

Chairman: Yung-Hsiang Lin

General Manager: Yung-Hsiang Lin



(Signature)



(Signature)

B. If a CPA is commissioned to review the internal control system specifically, the review report should be disclosed : None.

(10) The Company and its internal staff being punished lawfully, the punishment given by the Company to the violators of internal control system, major nonconformity, and the improvement in the most recent year and up to the publication of the annual report : None.

(11) The material resolutions reached in the shareholders' meeting and board meeting in the most recent year and up to the publication of the annual report

A. Important Resolutions Reached in the Shareholders' Meeting

April 20, 2020

Meeting Date	Important Resolution	Implementation
June 18, 2020	1. Adoption of the 2019 business report and financial statements	Resolution passed
	2. Adoption of the proposal for distribution of 2019 profits	1. The proposed dividend to shareholders is NT\$ 8.88 per share. The total amount of distribution for 2019 is NT\$1,040,622,060. 2. The convertible corporate bonds (84362) were converted into common stocks and the employee stock option certificates were converted into new shares, which affected the number of stocks outstanding. Therefore, the dividend payout ratio was adjusted. 3. The amount of stock dividend and cash dividend per share after conversion is as follows: Cash dividend per share: NT\$8.88250131 4. The ex-dividend date is August 29, 2019. The cash dividend had been distributed on September 18, 2020.
	3. Amendments to the Articles of Incorporation	Resolution passed
	4. Amendments to the Operational Procedures for Acquisition or Disposal of Assets	Resolution passed
	5. Election of the Fourteenth Board of Directors	The completion of the election is announced on the MOPS, and the change registration has been completed.
	6. Removal of Non-Competition Restrictions for Directors and Their Representatives	Resolution passed



## B. Important Resolutions of the Board of Directors

April 20, 2020

Meeting Date	Important Resolution	Implementation
February 6, 2020	1. Repurchase of The Company's shares 2. The Board's issuance of a statement that the maintenance of The Company's capital is affected	The same as the resolution(s)
March 3, 2020	1. The Company's 2019 internal control system statement 2. The Company's 2019 business report and financial statement 3. The Company's 2019 distribution of employees' and directors' remuneration. 4. The Company's plan to provide endorsement and guarantee for the subsidiary 5. The Company's subsidiary's plan to apply for capital loans 6. Amendments to the Articles of Incorporation 7. Amendments to the Operational Procedures for Acquisition or Disposal of Assets 8. Election of the Board of Directors 9. Nomination of candidates for directors (including independent directors) 10. Removal of Non-Competition Restrictions for Directors and Their Representatives 11. Planning of the date, place and reason for the meeting of The Company's 2020 shareholders meeting	The same as the resolution(s)
March 23, 2020	1. Planning of 2nd repurchase of The Company's shares and formulation of Method of Repurchased Shares to Employees 2. The Board's issuance of a statement that the maintenance of The Company's capital is affected 3. Proposal of replacement of certified public accountant	The same as the resolution(s)
April 30, 2020	1. The Company's 2019 earnings distribution 2. Proposal for a base date for cancellation of treasury stocks and capital reduction 3. Proposal of Amendments to the "Code of Integrity Management" 4. Request for the Board of Directors to review the list of nominated directors (including independent directors)	The same as the resolution(s)
June 18, 2020	1. The election of the chairman of the board 2. Appointment of remuneration committee 3. Appointment of nomination committee	The same as the resolution(s)
July 24, 2020	1. The Company's accounting supervisor personnel adjustments 2. The Company's plan to establish a subsidiary in Thailand 3. The Company's plan to establish a subsidiary in Russia 4. The Company's plan to establish a subsidiary in Turkey 5. Planning of matters such as the ex-dividend base date for The Company's 2019 earnings distribution 6. The Company's adjustment of the amount of endorsement/guarantee provided for its subsidiary	The same as the resolution(s)
October 28, 2020	1. The Company's personnel adjustment 2. The company's investment in SMY INTERNET OF PACKAGE Co., Ltd. 3. Removal of Non-Competition Restrictions for Managers	The same as the resolution(s)
December 23, 2020	1. Formulation of the company's 2021 audit plan 2. Formulation of the Company's 2021 Operating Plan and 2021 Annual Budget. 3. The Company's assessment of the competence and independence of certified public accountants 4. The 2021 annual remuneration plan for certified public accountants	The same as the resolution(s)

- (12) The contents of the Board resolutions regarding which independent directors have voiced opposing or qualified opinions on the record or in writing in the most recent year or up to the publication of the annual report: None.

Summary Table of Resignation and Dismissal of Relevant Persons of the Company

December 31, 2020

TITLE	NAME	DATE OF EMPLOYMENT	DATE OF DISMISSAL	REASON FOR RESIGNATION OR DISMISSAL
Accounting Manager	Jui-Yi Wu	101/11/01	109/07/24	Job adjustment
Associate Manager of Finance Department	Cheng-Hsieh Chiang	103/01/17	109/10/28	Resignation

Note: The term “relevant persons of the company” refers to the Chairman, General Manager, Accounting Supervisor, Financial Supervisor, Internal Audit Supervisor, Corporate Governance Supervisor and R&D Supervisor, etc.

#### 4. Information Regarding the Company's Audit Fee and Independence

##### (1) Audit Fee

CPA Firm	Name of CPAs		Audit Period	Remark
PwC Taiwan	Ming-Chuan Hsu	Ping-Chun Chi	Year of 2020	None

Unit: NT\$ 1,000

Fee Range \ Fee Item		Audit Fee	Non-audit Fee	Total
1	Less than NT\$2,000,000			
2	NT\$2,000,000 - 3,999,999	✓	✓	
3	NT\$4,000,000 - 5,999,999			
4	NT\$6,000,000 - 7,999,999			✓
5	NT\$8,000,000 - 9,999,999			
6	Over NT\$10,000,000			

(2) If any of the following circumstances occurs, the Company shall disclose the relevant information of the issue:

A. If the non-audit fees paid to the CPAs, CPAs Firms, and its affiliated companies is over 25% of the audit fee, the amount of audit fee and non-audit fee and contents of the non-audit service should be disclosed:

Unit: NT\$ 1,000

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fees					Audit Period	Remark
			System Design	Company Registration	Human Resources	Others	Subtotal		
PwC Taiwan	Ming-Chuan Hsu	3,500	0	100	0	3,174	3,274	2020	Consulting services and transfer pricing services
	Ping-Chun Chi								

B. If the replacement of the accounting firm and the audit fee amount paid in the year of the replacement is lower than the audit fee amount in the year before the replacement, the amount and reason for the audit fee amounts before and after the replacement shall be disclosed: None.

C. If the audit fee amount and ratio reduced and the root cause of the reduction : None.

#### 5. Replacement of CPAs:

The company's certified public accountants were originally CPA Ming-Chuan Hsu and CPA Kuo-Hua Wang. Due to the adjustment of the accounting firm's internal operations, since the first quarter of 2020, they have been changed to Ming-Chuan Hsu and Ping-Chun Chi.

6. The Company's Chairman, President, and Finance or Accounting Officer have held a position in the independent accounting firm or its affiliates over the past year : None.

**7. Changes in the shares held and pledged by directors, supervisors, managers, and major shareholders holding over 10% of outstanding shares in the most recent year and up to the publication of the annual report**

**(1) Changes in equity transfer and pledge**

Unit: share

Title	Name	2019		As of April 20, 2020	
		Increase (decrease) of shareholding	Increase (decrease) of shares pledged	Increase (decrease) of shareholding	Increase (decrease) of shares pledged
Chairman	Yung-Hsiang Lin	562,000	0	225,000	0
Director	Yang Guang Investment Co., Ltd.	(103,000)	0	0	0
	Authorized Representative: Pi-Shu Li	171	0	0	0
Director	DyDo Group Holdings, INC.	0	0	0	0
	Authorized Representative: Tomiya Takamatsu	0	0	0	0
Independent Director	Shu-Min He	0	0	0	0
Independent Director	Shih-Ming Li	0	0	0	0
Independent Director	Sung-Yuan Liao	0	0	0	0
Independent Director	Chen-Yi Kao	0	0	0	0
Deputy General Manager	Yung-Hao Lin	90,000	170,000	30,000	180,000
Assistant Manager, Precise iManufacturing	Chih-Cheng Tsai	(3,000)	0	5,000	0
Supervisor, Internal Audit Department	Wei-Chiang Chi	0	0	0	0
Head of Cost Management Center	Chen-Chen Fu	4,000	0	4,000	0
Assistant Vice President, Strategic Intelligence Center	Min Yueh	17,000	0	5,000	0
Head of Talent Development Center	Li-Chun Tsai	0	0	0	0
Head of Administration Service Center	Tung-Wei Li	(1,000)	0	3,000	0
Head of Research & Design Center	Ching-Ting Chen	16,000	0	23,000	0
Head of Finance Department	Chia-Chi Li	0	0	0	0
Head of Corporate Governance	Chen-Chia Huang	6,000	0	1,000	0
Head to Sock Service Team	Chun-Ying Chiu	0	0	0	0

Note: Li-Chun Tsai was newly appointed on January 13, 2020, Ching-Ting Chen was newly appointed on February 5, 2020, Chun-Ying Chiu was newly appointed on July 27, 2020, and Chia-Chi Li was newly appointed on October 28, 2020.

(2) The counterparty of the equity transfer is a related party: None.

(3) The counterparty of the equity pledge is a related party: None.

**8. The top-10 shareholders who are the spouses or relatives within the two degree of kinship to each other.**

As of May 1, 2021; Unit: share / %

Name	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top 10 Shareholders, or Spouses or Relatives Within the Two Degree of Kinship		Remark
	Shares	%	Shares	%	Shares	%	Name	Relations	
Taipei Fubon Commercial Bank Trust Dade Group Holdings Co., Ltd. Investment Account  Authorized representative: Tomiya Takamatsu	9,593,216  0	8.11%  0	0  0	0  0	0  0	0  0	Taipei Fubon Commercial Bank Trust Datong Pharmaceutical Industry Co., Ltd. Investment Account	Parent company and its subsidiary	
Cathay United Bank Custody Jie Tim Co., Ltd. Investment Account	7,467,000	6.31%	0	0	0	0	—	—	
Yang Guang Investment Co., Ltd. Authorized Representative: Wu-Nan Yang	4,556,053 287,173	3.85% 0.24%	0 0	0 0	0 0	0 0	—	—	
Taipei Fubon Commercial Bank Trust Datong Pharmaceutical Industry Co., Ltd. Investment Account	4,294,409	3.59%	0	0	0	0	Taipei Fubon Commercial Bank Trust Dade Group Holdings Co., Ltd. Investment Account	Parent company and its subsidiary	
Yung-Chiang Investment Co., Ltd. Authorized Representative: Yung-Hsiang Lin	3,649,623 2,252,405	3.09% 1.90%	0 38,000	0 0.03%	0 0	0 0	Yung-Hsiang Lin	Authorized Representative	
CHENG CHANG INVESTMENT CO., LTD.  Authorized Representative: Shih-Tsung Li	2,723,000 0	2.30% 0	0 0	0 0	0 0	0 0	—	—	
HSBC Trust State of Wisconsin Investment Board	2,666,000	2.25%	0	0	0	0	—	—	
Jui-hua Tsai	2,316,538	1.96%	0	0	0	0	—	—	
Yung-Hsiang Lin	2,252,405	1.90%	38,000	0.03%	0	0	—	—	
JPMorgan Chase administers Vanguard German Emerging Market Equity Fund Account	1,411,549	1.19%	0	0	0	0	—	—	

**9. The shares of the invested company held by the Company, the Company's directors, supervisors, managers, and companies controlled directly or indirectly, and the aggregated overall shareholding ratio**

As of May 1, 2021 ; Unit: share / %

Affiliated Enterprises	Investment by TCI		Investment by TCI's Directors, Supervisors, Managers and its directly or indirectly controlled business		Total Investment	
	Shares	%	Shares	%	Shares	%
TCI Firstek Corp.	238,296,886	100%	0	0	238,296,886	100%
TCI Gene Inc.	15,592,500	61.19%	4,206,263	26.98%	13,747,388	88.17%
Shanghai BioCosme Co., Ltd.	500,000	100%	—	—	500,000	100%
BioFunction, Shanghai BioTech Group	Note 1	100%	—	—	Note 1	100%
TCI HK LIMITED	Note 1	100%	—	—	Note 1	100%
TCI BIOTECH LLC	Note 1	100%	—	—	Note 1	100%
TCI JAPAN CO., LTD	Note 2	100%	—	—	Note 2	100%
PT TCI BIOTEK INDO	Note 2	100%	—	—	Note 3	100%
TCI Biotech Netherlands B.V.	Note 3	100%	—	—	Note 3	100%
Quantum Biology Inc.	3,000,000	100%	—	—	3,000,000	100%
MAXIGEN BIOTECH INC.	17,579,881	25.31%	—	—	17,579,881	25.31%

Note 1: As a company limited by shares, there is no issuance of shares.

Note 2: The capital amount is 55 million JPY.

Note 3: The capital had not been invested as of December 31, 2020.

## IV. Business Capitalization

### 1. Capital and Shares

#### (1) Capitalization

##### A. Equity formation

As of 04/20/2020; Unit: NT\$1,000 / 1,000 shares

Year/ Month	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Shares offset by property other than cash	Others
2006/08	10	12,000	120,000	5,380	53,800	Capitalization by Cash 10,000	—	Note 1
2007/08	10	12,000	120,000	6,380	63,800	Capitalization by Cash 10,000	—	Note 2
2008/04	12	12,000	120,000	7,380	73,800	Capitalization by Cash 10,000	—	Note 3
2009/10	10	12,000	120,000	8,618	86,180	Capitalization by Cash 5,000 Capitalization by Earnings 7,380	—	Note 4
2010/08	10	50,000	500,000	15,000	150,000	Capitalization by Cash 10,001 Capitalization by Earnings 53,819	—	Note 5
2011/07	10	50,000	500,000	20,042	200,420	Capitalization by Earnings 45,000 Capitalization by Employee Bonus 5,420	—	Note 6
2011/12	68	50,000	500,000	22,642	226,420	Capitalization by Cash 26,000	—	Note 7
2012/09	10	50,000	500,000	29,799	297,996	Capitalization by Earnings 67,926	—	Note 8
	18					Conversion by Stock Option 3,650		
2013/04	18	50,000	500,000	29,812	298,126	Conversion by Stock Option 130	—	Note 9
2013/08	10	50,000	500,000	39,423	394,234	Capitalization by Earnings 89,438	—	Note 10
	18					Conversion by Stock Option 6,670		
2013/09	93	50,000	500,000	43,880	438,804	Capitalization by Cash 44,570	—	Note 11
2014/08	10	100,000	1,000,000	51,024	510,244	Capitalization by Earnings 65,821	—	Note 12
	18					Conversion by Stock Option 5,620		
2014/10	72.3	100,000	1,000,000	55,624	556,244	Capitalization by Private Placement 46,000	—	Note 13
2015/08	10	100,000	1,000,000	61,202	612,028	Capitalization by Earnings 55,624	—	Note 14
	18					Conversion by Stock Option 160		
2016/02	36	100,000	1,000,000	65,276	652,764	Conversion by Stock Option 1,680	—	Note 15
	88					Conversion by Convertible Bond 39,056		
2016/05	88	100,000	1,000,000	66,607	666,071	Conversion by Convertible Bond 13,306	—	Note 16
2016/08	10	100,000	1,000,000	75,370	753,698	Capitalization by Earnings 78,332	—	Note 17
	78.8					Conversion by Convertible Bond 3,295 Capitalization by Restricted Employee Share 6,000		
2016/10	10	100,000	1,000,000	75,447	754,470	Conversion by Stock Option 10	—	Note 18
	78.8					Conversion by Convertible Bond 761		
2017/01	10	100,000	1,000,000	75,621	756,213	Conversion by Stock Option 1,730	—	Note 19
	78.8					Conversion by Convertible Bond 13		
2017/04	10	100,000	1,000,000	75,653	756,525	Conversion by Stock Option 300	—	Note 20
	78.8					Conversion by Convertible Bond 13		
2017/06	10	100,000	1,000,000	75,669	756,685	Conversion by Stock Option 160	—	Note 21
2017/07	10	100,000	1,000,000	87,012	870,117	Capitalization by Earnings 113,432	—	Note 22
2018/04	10	100,000	1,000,000	87,070	870,701	Conversion by Convertible Bond 584	—	Note 23
2018/07	10	200,000	2,000,000	100,122	1,001,219	Capitalization by Earnings 130,518	—	Note 24
2018/11	10	200,000	2,000,000	102,232	1,022,321	Conversion by Stock Option 5,260	—	Note 25
						Conversion by Convertible Bond 15,842		
2019/01	10	200,000	2,000,000	102,608	1,026,076	Conversion by Stock Option 420	—	Note 26
						Conversion by Convertible Bond 3,335		

Year/ Month	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remark			
		Shares	Amount	Shares	Amount	Source of Capital		Shares offset by property other than cash	Others
2019/04	10	200,000	2,000,000	102,742	1,027,422	Conversion by Convertible Bond	1,347	—	Note 27
2019/08	10	200,000	2,000,000	102,792	1,027,920	Conversion by Convertible Bond	497	—	Note 28
2019/08	10	200,000	2,000,000	118,183	1,181,831	Capitalization by Earnings	153,911	—	Note 29
2019/10	10	200,000	2,000,000	119,598	1,195,981	Conversion by Stock Option Restricted Employee Share	5,210 8,940	—	Note 30
2020/02	10	200,000	2,000,000	119,617	1,196,171	Conversion by Stock Option	260	—	Note 31
2020/06	10	200,000	2,000,000	117,610	1,176,101	Cancellation of Restricted Employee Shares	70	—	Note 32
						Cancellation of treasury shares	20,000		
2020/08	10	300,000	3,000,000	117,610	1,176,101	Increase in total capital, amendments to the company's Articles of Incorporation, full re-election of directors		—	Note 33
2020/09	10	300,000	3,000,000	117,607	1,176,071	Cancellation of Restricted Employee Shares	30	—	Note 34
2020/11	10	300,000	3,000,000	118,190	1,181,901	Conversion by Stock Option	589	—	Note 35
						Cancellation of Restricted Employee Shares	60		
2021/01	10	300,000	3,000,000	118,220	1,182,201	Conversion by Stock Option	360	—	Note 36
						Cancellation of Restricted Employee Shares	60		

Note 1: The approval letter, the Letter No. Taipei-City-Government-City-Construction-Bureau-09582279100 received on August 22, 2006.

Note 2: The approval letter, the Letter No. Taipei-City-Government-City-Construction-Bureau-09688717100 received on August 30, 2007.

Note 3: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-09783966800 received on April 25, 2008.

Note 4: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-09887803330 received on October 29, 2009.

Note 5: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-09985775230 received on August 16, 2010.

Note 6: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-10085576600 received on July 15, 2011.

Note 7: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-10090009810 received on December 9, 2011.

Note 8: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-10187001810 received on September 6, 2012.

Note 9: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-10282650710 received on April 10, 2013.

Note 10: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-10286556500 received on August 1, 2013.

Note 11: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-10288072500 received on September 25, 2013.

Note 12: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10301165180 received on August 15, 2014.

Note 13: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10301231620 received on November 5, 2014.

Note 14: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10401161750 received on August 6, 2015.

Note 15: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10501017880 received on February 2, 2016.

Note 16: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10501100670 received on May 17, 2016.

Note 17: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10501192080 received on August 5, 2016.

Note 18: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10501246530 received on October 18, 2016.

Note 19: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10601007940 received on January 19, 2017.

Note 20: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10601049900 received on April 18, 2017.

Note 21: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10601098480 received on July 17, 2017.

Note 22: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10601102940 received on July 28, 2017.

Note 23: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10701037100 received on April 11, 2018.

Note 24: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10701105450 received on August 23, 2018.

Note 25: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10701131780 received on November 5, 2018.

Note 26: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10801005770 received on January 28, 2019.

Note 27: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10801044030 received on April 22, 2019.

Note 28: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10801097590 received on August 2, 2019.

Note 29: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10801114380 received on August 20, 2019.

Note 30: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10801143300 received on October 28, 2019.

Note 31: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10901008680 received on February 21, 2020.

Note 32: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10901080290 received on June 1, 2020.

Note 33: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10901122480 received on August 4, 2020.

Note 34: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10901155540 received on September 11, 2020.

Note 35: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10901216090 received on November 27, 2020.

Note 36: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10901216090 received on January 25, 2021.



## B. Share Type

As of May 1, 2021  
Unit: share

Share Type	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Common Stock	118,243,830	181,756,170	300,000,000	The outstanding shares have deducted 1,016,000 treasury shares. Among them, 10,000,000 shares will be reserved for the issuance of employee stock option certificates to exercise the stock options. The Company's stocks are OTC stocks.

C. Information related to the raising and issuance of securities under the reporting system: Not applicable.

## (2) Composition of Shareholders

As of May 1, 2021  
Unit: person / share

QTY	Structure of Shareholder	Government Agencies	Financial Institutions	Other Institutions	Individuals	Institutions & Individuals	Total
Number of Shareholders		0	0	239	23,378	172	23,789
Total Shares Owned		0	0	18,510,524	59,821,780	39,911,526	118,243,830

## (3) Distribution Profile of Share Ownership (the issue price per share is NT\$10)

As of 04/20/2020  
As of May 1, 2021 ; Unit: person / share / %

Shareholder Ownership (Shares)	Number of Shareholders	Ownership	Ownership (%)
1 to 999	10,721	887,498	0.75%
1,000 to 5,000	11,122	19,992,831	16.91%
5,001 to 10,000	1,036	7,818,347	6.61%
10,001 to 15,000	312	3,907,887	3.31%
15,001 to 20,000	159	2,874,182	2.43%
20,001 to 30,000	147	3,733,315	3.16%
30,001 to 50,000	95	3,801,757	3.22%
50,001 to 100,000	87	6,240,248	5.28%
100,001 to 200,000	53	7,466,629	6.32%
200,001 to 400,000	31	8,974,651	7.59%
400,001 to 600,000	9	4,320,608	3.65%
600,001 to 800,000	1	672,000	0.57%
800,001 to 1,000,000	2	1,826,240	1.54%
Over 1,000,001	14	45,727,637	38.67%
Total	23,789	118,243,830	100.00%

(4) List of major shareholders (shareholders who hold more than 5% or hold the top 10 shares)

As of May 1, 2021 ;

Unit: share / %

Name	Shares	Current Shareholding	%
Taipei Fubon Commercial Bank Trust Dade Group Holdings Co., Ltd. Investment Account		9,593,216	8.11%
Cathay United Bank Custody Jie Tim Co., Ltd. Investment Account		7,467,000	6.31%
Yang Guang Investment Co., Ltd.		4,556,053	3.85%
Taipei Fubon Commercial Bank Trust Datong Pharmaceutical Industry Co., Ltd. Investment Account		4,294,409	3.63%
Yung-Chiang Investment Co., Ltd.		3,649,623	3.09%
CHENG CHANG INVESTMENT CO., LTD.		2,723,000	2.30%
HSBC Trust State of Wisconsin Investment Board		2,666,000	2.25%
Jui-Hua Tsai		2,316,538	1.96%
Yung-Hsiang Lin		2,252,405	1.90%
JPMorgan Chase administers Vanguard German Emerging Market Equity Fund Account		1,411,549	1.19%

(5) Market Price, Net Worth, Earnings, and Dividends of Per Share within 2 Years

Unit : NT\$ / 1,000 shares

Item			Year	2019	2020	2020 (As of May 1)
Market Price per Share	High			540		250
	Low			282		183.5
	Average			395.18		230.60
Net Worth per Share	Before Distribution			59.63	63.44	Note 2
	After Distribution			50.93	Note 1	-
Earnings per Share	Weighted Average Shares			118,441	117,226	Note 2
	Earnings per Shares	Before Adjustment		17.02	15.69	Note 2
		After Adjustment		17.02	Note 1	-
Dividend per Share	Cash Dividend			8.88	Note 1	-
	Stock Dividend	Stock Dividend from Retained Earnings		8.88	Note 1	-
		Stock Dividend from Paid-In Capital		-	-	-
	Accumulative Unpaid Dividend			-	-	-
Return on Investment Analysis	Price Earnings Ratio (Note 4)			23.22		-
	Price to Dividend Ratio (Note 5)			44.50	Note 1	-
	Cash Dividend Yield Ratio (Note6)			2.25%	Note 1	-

Note 1: The appropriation amount of earnings per share for 2020 has yet to be approved at the Annual Shareholders' Meeting.

Note 2: The financial report for the first quarter of 2021 was reviewed by accountants.

Note 3: The net value per share and earnings per share are those that have not been verified (audited) by the accountant in the most recent quarter of the annual report. The remaining fields are filled with the annual data as of the date of publication of the annual report.

Note 4: Price earnings ratio = Average closing price / earnings per share

Note 5: Price to cash dividend Ratio = Average closing price / cash dividend per share

Note 6: Cash dividend yield Ratio = Cash dividend per share / average closing price

(6) Company dividend policy and implementation

A. Dividend policy as set out in the Articles of Incorporation

According to Article 18 of Article 18-2 of the Articles of Incorporation.

If the Company's annual final accounts have net profit after tax, they should first pay taxes to make up for past losses, and set a 10% of their balance as statutory surplus reserve, but the statutory surplus accumulation has reached the Company. When the total amount of capital is exceeded, this is not the limit. The special surplus reserve is proposed or reversed in accordance with the relevant laws and regulations. If there is a balance, and the available-distributed surplus calculated from the undistributed surplus at the beginning of the period (including adjustment of the undistributed surplus amount), the Board of Directors proposes a surplus distribution case, which is distributed after the resolution of the shareholders' meeting.

The Company's industry is currently in a growth stage. In the increasingly competitive environment, in order to achieve sustainable operation, considering operational growth, capital needs and long-term financial planning, and taking into account shareholders' rights, the annual surplus is 30% to 80. %Shareholders' dividends. The shareholder dividends of the Company are distributed in a combination of partial stock dividends and some cash dividends. The proportion of shareholders' cash dividend distribution is not less than 10% of the total dividends of shareholders, but only when the Company When there is more surplus or sufficient funds, it can be seen that the annual surplus status increases the cash dividend payout ratio of shareholders.

B. The proposed dividend distribution of the shareholders meeting The 2020 annual dividends of the Company were approved by the Board of Directors on March 8, 2021. The resolution is to allocate NT\$1,040,755,261 from the 2020 annual surplus, and the cash dividend per share is NT\$8.88. The amount of the dividend shall be approved by the 2021 Annual Shareholder's Meeting.

(7) The Effect on Business Performance, EPS, and ROE by the Company's Stock Dividend Distributed as Bonus Shares in This Shareholders' Meeting

Unit: NT\$

Item		Year	2020(anticipated)
Paid-in Capital (NT\$)			1,182,201,690 (Note 1)
Cash Dividend and Stock Dividend	Cash Dividend per Share		NT\$ 8.88 (註 2)
	New Share Issue through Capitalization of Retained Earnings Transferred to Capital per Share (share)		0
	New Share Issue through Capitalization of Capital Surplus Transferred to Capital per Share (share)		0
Business Performance	Net Revenue		Not applicable (Note 3)
	Net Change % (compared with 2019 net revenue)		
	Net Income		
	Net Change % (compared with 2019 net income)		
	Earnings per Share		
	Net Change % (compared with 2019 EPS)		
Pro Forma EPS and P/E Ratio	Average Return on Investment (%)		Not applicable (Note 3)
	In the Event that TCI Cancels New Share Issue through Capitalization of Retained Earnings Transferred to Capital per Share, and Distributes the Amount into Cash Dividend	Pro Forma EPS	
		Pro Forma Average ROI (%)	
	In the Event that TCI Cancels New Share Issue through Capitalization of Capital Surplus Transferred to Capital	Pro Forma EPS	
		Pro Forma Average ROI (%)	
	In the Event that TCI Cancels New Share Issue through Capitalization of Capital Surplus Transferred to Capital, and Distributes the Amount into Cash Dividend	Pro Forma EPS	
		Pro Forma Average ROI (%)	

Note 1: The amount of paid-in capital is in accordance with the approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-11001009560 received on January 25, 2021.

Note 2: The amount will be determined by the final shareholders' resolution in 2021 annual shareholders' meeting.

Note 3: The financial forecast report of 2021 has not been published yet, and therefore the relevant items are not applicable.

There was no proposed free share allotment at the shareholders' meeting.

(8) Employee Compensation and Remuneration to Directors and Supervisors

- A. The number or scope of compensation for employees, directors and supervisors as set out in the articles of association

According to the Company's articles of association, if the Company is profitable in the year (the so-called profit refers to the pre-tax profit minus the benefits before the employee is paid and the directors' compensation), it is distributed in the following order:

- a. When the Company still has accumulated losses (including adjustment of undistributed surplus amount), the amount of compensation should be retained in advance.
- b. Five to fifteen percent of the employees are paid and no more than three percent are directors' compensation.

The employees' compensation in the preceding paragraph can be obtained by stock or cash, and the object of the employee's compensation is to include the employees of the subordinate company that meet the conditions set by the Board of Directors. The directors of the preceding paragraph are only paid in cash.

- B. The basis for estimating the amount of compensation and remuneration for employees, directors, and supervisors in the current period, the basis for calculating the number of shares for employee compensation for stock distribution and the accounting treatment when the actual distribution amount is different from the estimated

- a. The employee's remuneration and director's remuneration estimates are based on the pre-tax benefits as of the end of the period (net of the benefits prior to the distribution of employee compensation and directors' compensation), and the employee's remuneration and director's remuneration as set out in the articles of association. Within the scope of the number, and based on the previous issue of the number of estimates, and recognized as current operating costs and operating expenses.
- b. The basis for calculating the number of shares in which the employees of the Company are allotted shares is based on the closing price of the day before the resolution of the shareholders' meeting and considering the impact of the ex-dividend. The employee compensation proposed by the shareholders meeting was issued in cash on March 8, 2021.

- C. Information about the proposed distribution of employee bonus as approved by the Board of Director

- a. The amount of the proposed distribution of employee bonus and remuneration to directors is shown as below. If the amount referred to above differs from the employee bonus and remuneration to directors and supervisors recognized, please state the number of differences, causes of differences, and the treatment:

Unit: NT\$

Item	Amount
Compensation for Employees in 2020	163,401,000
Compensation for Directors in 2020	4,200,000

The amount of employee compensation and directors' compensation to be proposed is not different from the fees recognized in 2020.

- b. The proportion of the employee's remuneration distributed by the stock and the total net profit after tax and the total amount of employee compensation in the current period.

The remuneration of the proposed staff is paid in cash by the resolution of the Board of Directors on March 8, 2021. It is not applicable to the employee's stock remuneration.

- D. If the amount referred to above differs from the employee bonus and remuneration to directors and supervisors recognized, please state the number of differences, causes of differences, and the treatment scenarios : None.

(9) The Company bought back the shares of the Company:

A. TCI's Repurchase of Shares (Executed)

May 1, 2021

Serial Number of Repurchase	1
Purpose of Repurchase	Maintenance of the Company's credibility and the shareholders' rights
Repurchase Period	2020/02/07~2020/04/06
Repurchase Price Range	NT\$148.75~406.59
Type and number of repurchased shares	2,000,000 common shares
Total price of repurchased shares	NT\$ 438,143,659
Number of purchased shares as a percentage of number of shares to be repurchased (%)	100%
Number of shares cancelled or transferred	2,000,000 shares
Accumulated number of shares held by TCI	0 shares
Accumulated number of shares held by TCI as a percentage of total number of issued shares	0%

B. TCI's Repurchase of Shares (Still in progress)

May 1, 2021

Serial Number of Repurchase	2
Purpose of Repurchase	For the transfer to employees
Repurchase Period	2020/03/24~2020/05/22
Repurchase Price Range	108.5~319.5
Type and Number of Repurchased Shares	1,016,000 Common shares
Total Price of Repurchased Shares	NT\$ 227,419,497
Number of purchased shares as a percentage of number of shares to be repurchased (%)	33.87%
Number of shares cancelled or transferred	0 shares
Accumulated number of shares held by TCI	1,016,000 shares
Accumulated number of shares held by TCI as a percentage of total number of issued shares	0.86%

## 2. Corporate Bond

Corporate Bond Category		1 <sup>st</sup> Unsecured Conversion of Corporate Bond
Issuance Date		October 16, 2015
Par Value		NT\$100,000
Place of Issuance and Trade		R.O.C. (Taiwan)
Issuance Price		At 100.5% of Par Value
Total Issuance Amount		NT\$500,000,000
Coupon Rate		0%
Tenor		3 Years Maturity Date: October 16, 2018
Guarantor		None
Trustee		Taipei Fubon Bank
Underwriter		Fubon Securities Co., Ltd.
Certifying Lawyer		None
Certifying Accountant		None
Method of Repayment		During the three-year period of the issuance, in addition to conversion or redemption according to the conversion method, it will be repaid in cash at the time of expiration.
Outstanding Balance		NT\$ 0
Terms and Conditions for Early Redemption or Repayment		The conversion debt shall be sold back to the bondholders on the date of the second year of the issue (October 16, 2018). The Company shall issue the bond to the bond on the first 40 days after the second year of the conversion of the conversion debt. The holder's "Notice of Exercise of the Right to Sell" (as set out in the register of creditors on the fifth business day prior to the date of dispatch of the "Notice of Exercise of Resale", which is subsequently obtained for trading or other reasons Investors of the conversion debts shall be notified by way of announcement. They shall also inform the counter trading center to announce the exercise of the right to sell the convertible bonds. The bondholders may notify the Company in writing within 40 days after the announcement. The agency (effective at the time of delivery, the postal person uses the postmark as the basis) requires the interest denomination of the bond denomination (the maturity of the bond is 101.0025% (the annual real rate of return of 0.5%)] There is a redemption of this conversion debt. The Company accepts the sale request and shall redeem the conversion debt in cash within five business days after the sale date. The above date will be postponed to the next business day if the Taipei Securities Centralized Trading Market ceases to operate.
Restrictive Clauses		None
Rating Agency, Date of Rating, and Rating Awarded		Not Applicable
Other Rights	Amount of Ordinary Shares, Global Depository Receipts, or other Securities Converted (Exchanged or Subscribed) up to the publication date of this annual report	Other Rights
	Issuance and Conversion (Exchange or Subscription) Terms	
Possible Dilution of Equity and Impact on Equity of Existing Shareholders due to Subscription or Issuance Terms of Issuance, Conversion and Exchange of Corporate Bonds		None
Custodian of Exchanged Assets		Not Applicable

Corporate Bond Category		Unsecured Conversion of Corporate Bond		
Year		2016	2017	2018
Item				
Market Price per Share	Highest	224	273	0
	Lowest	125.5	198	0
	Average	153.54	225.15	0
Conversion Price		78.8	68.5	68.5
Date of Issuance and the Conversion Price at the Date of Issuance		Issued on October 16, 2015. The conversion price was NT\$88.	Issued on October 16, 2015. The conversion price was NT\$88.	Issued on October 16, 2015. The conversion price was NT\$88.
Fulfilling the Conversion Obligation		Delivered by issuing new shares	Delivered by issuing new shares	Delivered by issuing new shares

Corporate Bond Category		2 <sup>nd</sup> Unsecured Conversion of Corporate Bond
Issuance Date		June 8, 2018
Par Value		NT\$1,200,000,000
Place of Transaction and Issuance		R.O.C. (Taiwan)
Issuance Price		At 100% of Par Value
Total Issuance Amount		NT\$1,200,000,000
Coupon Rate		0%
Tenor		3 Years Maturity Date: June. 16, 2021
Guarantor		None
Trustee		Taipei Fubon Bank
Underwriter		Fubon Securities Co., Ltd.
Certifying Lawyer		None
Certifying Accountant		None
Method of Repayment		During the three-year period of the issuance, in addition to conversion or redemption according to the conversion method, it will be repaid in cash at the time of expiration.
Outstanding Balance		NT\$ 435,200,000
Terms and Conditions for early redemption or repayment		The conversion of corporate bonds shall be sold back to the base date of the conversion of the corporate bonds by the holder of the conversion corporate bonds in advance of the two-year issue (June 8, 2020). The Company shall send a "Notice of Exercise of the Right of Resale" to the Bondholders by registered mail before the sale date back to the 40th day before the base date (April 29, 2021) (with a notice of exercise of the right to sell back) The date of the fifth business day bond holder's register on the date of the mailing date shall prevail, and the bondholders who subsequently obtained the conversion of corporate bonds due to trading or other reasons shall be notified by way of announcement) The counter purchase center announces the exercise of the conversion right of the convertible corporate bond holder. The holder of the conversion corporate bond can notify the Company's stock agency in writing within 40 days before the sale date (on delivery). The effectiveness of the mailer is based on postmarks. The Company is required to add interest compensation to the denomination of the bond [101.0025% of the bond denomination (0.5% of the real rate of return) for two years] to redeem the bond held by it. return. The Company accepts the sale request and shall redeem the bond in cash within five business days after the sale date. The above date will be postponed to the next business day if the Taipei Securities Centralized Trading Market ceases to operate.
Restrictive Clauses		None
Rating Agency, Date of Rating, and Rating Awarded		Not Applicable
Other Rights	Amount of Ordinary Shares, Global Depository Receipts, or other Securities Converted (Exchanged or Subscribed) up to the Publication Date of this Annual Report	As of the publication date of the annual report, the amount of common shares converted was NT\$210,284,000.



	Issuance and Conversion (Exchange or Subscription) Terms	Please refer to the conversion method in Attachment 1 of the Company's Convertible Corporate Bonds Prospectus.
Possible Dilution of Equity and Impact on Equity of Existing Shareholders due to Subscription or Issuance Terms of Issuance, Conversion and Exchange of Corporate Bonds	None	
Custodian of Exchanged Assets	Not Applicable	

Corporate Bond Category		Unsecured Conversion of Corporate Bond		
Year		2018	2019	2020
Item				
Market Price per Share	Highest	164	152	122.95
	Lowest	108.10	108	100.10
	Average	126.59	127.82	107.50
Conversion Price		363.7	311.1	302.3
Conversion Price at the Date of Issuance		Issued on June 8, 2018. The conversion price was NT\$418.	Issued on June 8, 2018. The conversion price was NT\$418.	Issued on June 8, 2018. The conversion price was NT\$418.
Fulfilling the Conversion Obligation		Delivered by issuing new shares	Delivered by issuing new shares	Delivered by issuing new shares

### 3. Preferred Stock Issued: None

### 4. Global Depositary Receipts Issued: None

### 5. Employees Stock Options Issued

#### (1) The Company's outstanding employee stock options

December 31, 2020

Types of Employee Stock Option Certificate	2016 1 <sup>st</sup> Employee Stock Option	2018 1 <sup>st</sup> Employee Stock Option
The Effective Date of Declaration	2016/6/20	2018/5/11
Date of Issuance	2016/7/1	2018/5/15
The Number of Units Issued	2000 units (each unit can subscribe for 1,000 shares of the Company's common stock)	2000 units (each unit can subscribe for 1,000 shares of the Company's common stock)
Ratio of the Number of Shares Available for Subscription to the Total Number of Shares Issued	3% (the ratio between the issued shares and the total shares in 2016)	2.3% (the ratio between the issued shares and the total shares in 2018)
Duration of Subscription	6 years The subscribers may exercise the stock options according to the prescribed time limit after the expiration of the employee stock option certificate.	6 years The subscribers may exercise the stock options according to the prescribed time limit after the expiration of the employee stock option certificate.
Method of Performance	Issuing new shares	Issuing new shares
Restrictive Subscription Period and Ratio	After 2 years, the cumulative maximum share option ratio will be increased to 30%; after 3 years, the cumulative maximum share option ratio will be increased to 60%; and after 6 years, the cumulative maximum share option ratio will be increased to 100%.	After 2 years, the cumulative maximum share option ratio will be increased to 30%; after 3 years, the cumulative maximum share option ratio will be increased to 60%; and after 6 years, the cumulative maximum share option ratio will be increased to 100%.
Number of Shares Subscribed	1,740,000	-
Amount of Shares Subscribed	116,572,900	-
Number of Shares yet to be Subscribed	26,000	2,000,000

Subscription Price Per Share for the Unsubscribed Shares	NT\$ 56.2	NT\$ 324.1
Ratio of the Unsubscribed Shares to the Total Number of Shares Issued (%)	0.02%	1.95%
Impact on Shareholders' Equity	The Company's total number of shares as of February 29, 2015 was 66,376,454 shares. After adding 6,637,645 shares to be converted into 2017 surplus, the total number of outstanding shares was 73,014,099 shares. The total number of shares that are expected to be issued by the employee's stock option certificate is 2,000,000 shares, accounting for approximately 2.74% of the total number of outstanding shares, the estimated annual earnings per share diluted to NT\$0.29, NT\$0.20, NT\$0.08, and NT\$0.03 per share.	The Company's total number of shares as of February 21, 2018 was 87,011,707 shares. After adding 13,051,756 shares to be converted into 2017 surplus, the total number of outstanding shares was 100,063,463 shares. The total number of shares that are expected to be issued by the employee's stock option certificate is 2,000,000 shares, accounting for approximately 2.3% of the total number of outstanding shares, the estimated annual earnings per share diluted to NT\$0.71, NT\$0.22, and NT\$0.04 per share.

(2) Name of the managers with employee stock option certificates obtained, the top-10 employees with stock option certificates obtained, the respective acquisition and subscription.

A. 2016 1<sup>st</sup> Employee Stock Option

	Title	Name	Number of Shares acquired	Ratio of Subscribed Shares to Total Number of Shares Issued	Subscribed				Unsubscribed			
					Number of Shares Subscribed	Price of Shares Subscribed	Amount of Shares Subscribed	Ratio of Subscribed Shares to Total Number of Shares Issued	Number of Shares Subscribed	Price of Shares Subscribed	Amount of Shares Subscribed	Ratio of Subscribed Shares to Total Number of Shares Issued
Managers	General Manager	Yung-Hsiang Lin	1,115,000	0.94%	1,086,000	77.8/ 67.7/ 57.9/ 56.2	48,790,000	0.92%	21,000	56.2	1,180,200	0.02%
	Deputy General Manager	Yung-Hao Lin										
	Assistant Vice President	Cheng-Hsien Chiang										
	Manager, Accounting & Tax Department	Jui-Yi Wu										
	Foreman, Precise iManufacturing Center	Chih-Cheng Tsai										
	Supervisor, Internal Audit Department	Wei-Chiang Chi										
	Assistant Vice President, Strategic Intelligence Center	Min Yueh										
	Supervisor, Research & Design Center	Ching-Ting Chen										
Employees	Global Business Center	Shan-shan Liu	315,000	0.27%	315,000	77.8/ 67.7/ 57.9/ 56.2	20,982,900	0.16%	0	56.2	0	0%
	Cost Management Center	Hsiu-Wei Lin										
	President Office	Shu-Ching, Wang										
	Global Business Center	Jui-Ting Ling										
	Global Business Center	Yi-Ching Chen										
	Precise iManufacturing Center	Hung-Lin Chen										
	President Office	Chien-yu Lu										
	Finance Department	Yi-Chun Liu										
	Global Business Center	Chen-i Kao										
	Global Business Center	Yen-jen Chen										
	Administration Service Center	Chieh-li Ni										
	President Office	Jui-han Chang										

(2) 2018 1<sup>st</sup> Employee Stock Option

	Title	Name	Number of Shares Acquired	Ratio of Subscribed Shares to Total Number of Shares Issued	Subscribed			Ratio of Subscribed Shares to Total Number of Shares Issued	Unsubscribed			Ratio of Subscribed Shares to Total Number of Shares Issued
					Number of Shares Subscribed	Price of Shares Subscribed	Amount of Shares Subscribed		Number of Shares Subscribed	Price of Shares Subscribed	Amount of Shares Subscribed	
Managers	General Manager	Yung-Hsiang Lin	905,000	0.77%	-	-	-	-	905,000	324.1	293,310,500	0.77%
	Deputy General Manager	Yung-Hao Lin										
	Foreman, Precise iManufacturing Center	Chih-Cheng Tsai										
	Head of Internal Audit Department	Wei-Chiang Chi										
	Assistant Vice President, Strategic Intelligence Center	Min Yueh										
	Head of Management Center	Chen-Chen Fu										
	Manager, Administration Service Center	Tung Wei Li										
	Manager, Research & Design Center	Ching-Ting Chen										
Employees	Global Business Center	Shan-Shan Liu	295,000	0.25%	-	-	-	-	295,000	324.1	95,609,500	0.25%
	Cost Management Center	Hsiu-Wei Lin										
	Precise iManufacturing Center	Chun-Ying Ho										
	Administration Service Center	Chi-Li Ni										
	Finance Department	Yi-Chun Liu										
	President Office	Shu-Chin Wang										
	Precise iManufacturing Center	Tien-chien Lin										
	President Office	Jui-han Chang										
	Global Business Center	Hsin-Liang Chen										
	Precise iManufacturing Center	Chin-Hung Lin										
	President Office	Wen-chao Wang										
	Global Business Center	Yen-jen Chen										
	President Office	Chien-Yu Lu										
	Precise iManufacturing Center	Hung-Lin Chen										

## 6. Restricted Employee Shares

(1) The effect on shareholders' rights by the Company's RSAs (not been fully vested yet)

April, 20, 2020

Category	2016 1 <sup>st</sup> Restricted Employee Shares								
Approval Date	2016/6/20								
Issuance Date	2017/4/30								
Number of Restricted Employee Shares Issued	600,000 Shares								
Issued Price Per Share	NT\$10								
Ratio of Shares exercisable to Outstanding Common Shares (%)	0.82% (the ratio between the issued shares and the total common shares in 2017)								
Vesting Conditions for Exercise of Restricted Employee Shares	<p>The employees who meet the performance goals or the conditions specified below are eligible for the vesting of Restricted Stock Awards.</p> <ol style="list-style-type: none"> <li>1. The growth rate of revenue growth is 30% (years),</li> <li>2. The net interest rate after tax will remain above 10%.</li> <li>3. Earnings per share (EPS) of 3.0 yuan (inclusive) or more.</li> </ol> <table border="1"> <thead> <tr> <th>Vesting Period</th><th>Vested Shares with Installations</th></tr> </thead> <tbody> <tr> <td>1 year after the issuance date (still in-service)</td><td>200 shares</td></tr> <tr> <td>2 years after the issuance date (still in-service)</td><td>200 shares</td></tr> <tr> <td>3 years after the issuance date (still in-service)</td><td>200 shares</td></tr> </tbody> </table>	Vesting Period	Vested Shares with Installations	1 year after the issuance date (still in-service)	200 shares	2 years after the issuance date (still in-service)	200 shares	3 years after the issuance date (still in-service)	200 shares
Vesting Period	Vested Shares with Installations								
1 year after the issuance date (still in-service)	200 shares								
2 years after the issuance date (still in-service)	200 shares								
3 years after the issuance date (still in-service)	200 shares								
Restrictions to the Rights of New Restricted Employee Shares	<ol style="list-style-type: none"> <li>1. The employee shall not sell, pledge, transfer, donate, set, or otherwise distribute the new shares of the employee's rights until the employee has obtained the new shares.</li> <li>2. Before the employees fail to meet the vested conditions, the attendance, proposal, speech, voting rights and other relevant shareholders' equity matters of the shareholders' meeting shall be exercised by the trust institution.</li> <li>3. Restricted employee rights new shares acquired in accordance with these Measures, except for the above-mentioned restrictions, have been allocated unrestricted restrictions on employee rights. New shares do not participate in allotment, interest and cash increase subscriptions.</li> </ol>								
Custody of Restricted Employee Shares	Delivered to trust custody								
Procedures for Non-Compliance of the Conditions	The Company will cancel the employee rights of all employees who have not received the pre-established conditions to receive (buy) shares.								
Withdrawal of New Restricted Employee Shares	0 share								
Unrestricted New Restricted Employee Shares	600,000shares								
Restricted New Restricted Employee Shares	0 share								
Ratio of Shares Unrestricted to Outstanding Common Shares (%)	0 %								
Impact on Shareholders' Equity	The Company's total number of shares of 66,376,454 shares as of February 29, 2016, plus the number of shares to be transferred to the 2015 surplus of 6,637,645 shares, totaled 73,014,099 shares outstanding. The current issuance limits the total number of shares subscribed for by employees. For 600,000 shares, the ratio of the number of outstanding shares is 0.82%. It is estimated that the annual compensation cost will be diluted to NT\$0.09 in 2016, NT\$0.09 in 2017 and NT\$0.09 in 2018, respectively. It will not have a significant impact on shareholders' equity.								

Category	2019 2nd Restricted Employee Shares
Approval Date	2019/6/26
Issuance Date	2019/11/25
Number of Restricted Employee Shares Issued	894,000 Shares
Issued Price Per Share	NT\$10
Ratio of Shares exercisable to Outstanding Common Shares (%)	0.88% (the ratio between the issued shares and the total common shares in 2019)
Vesting Conditions for Exercise of Restricted Employee Shares	<p>(1) The employee restricted shares will be vested in three years. In the first year, the performance will be reviewed in accordance with the financial statements of the previous year prior to the grant date (issuance date). In the second and third years, the performance will be reviewed in accordance with the previous year 's financial statements (before March 31). The standards are as follows: The company's pre-tax net profit margin is above 20% (including 20%). (Net profit before tax = Net profit before tax / operating income)</p> <p>(2) When the performance in the first year is reviewed according to the financial statements and meets the aforementioned (1) standard, employees can get a third of the number of shares they are allocated on the date of issue (issuance date); when the performance in the second year is reviewed according to the financial statements and meets the aforementioned (1) standard, employees can get a third of their allotted shares by March 31, 2020; in the third year, when the performance according to the financial statements reached the aforementioned standard (1), employees received a third of the number of shares allocated on March 31, 2021. (The number of shares allotted in the year is calculated proportionally to an integer number of shares, and the number of shares less than one is included in the number of shares allocated in the third year.)</p>
Restrictions to the Rights of New Restricted Employee Shares	<p>1. The employee shall not sell, pledge, transfer, donate, set, or otherwise distribute the new shares of the employee's rights until the employee has obtained the new shares.</p> <p>2. Before the employees fail to meet the vested conditions, the attendance, proposal, speech, voting rights and other relevant shareholders' equity matters of the shareholders' meeting shall be exercised by the trust institution.</p> <p>3. Restricted employee rights new shares acquired in accordance with these Measures, except for the above-mentioned restrictions, have been allocated unrestricted restrictions on employee rights. New shares do not participate in allotment, interest and cash increase subscriptions.</p>
Custody of Restricted Employee Shares	Delivered to trust custody
Procedures for Non-Compliance of the Conditions	The Company will cancel the employee rights of all employees who have not received the pre-established conditions to receive (buy) shares.
Withdrawal of New Restricted Employee Shares	33,000 shares
Unrestricted New Restricted Employee Shares	861,000 shares
Restricted New Restricted Employee Shares	0 shares
Ratio of Shares Unrestricted to Outstanding Common Shares (%)	0%
Impact on Shareholders' Equity	According to the approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10701131780received on November 5, 2018, the Company has changed its registration. The Company's outstanding common shares are 102,232,072, and it is expected that the ratio of issued restricted employee shares to new shares will account for 0.88% of total issued shares. The estimated annual compensation cost for diluted earnings per share is 0.492 yuan, 0.492 yuan and 0.492 yuan, respectively, which still has a significant impact on shareholder rights.

(2) The number of managers who obtained the new shares of the employee's rights and the names of the top ten employees who obtained the number of shares and the status of the acquisition

As of May 1, 2021

Unit: share / NT\$

	Title	Name	Number of Restricted Employee Shares Acquired	Ratio of Acquired to Outstanding Common Shares	Unrestricted Rights				Restricted Rights			
					Unrestricted Shares	Issued Price	Issued Amount	Ratio of Acquired to Outstanding Common Shares	Restricted Shares	Issued Price	Issued Amount	Ratio of Restricted to Outstanding Common Shares
Managers	General Manager	Yung-Hsiang Lin	1,229,000	1.04%	1,229,000	10	12,290,000	1.04%	0	10	0	0%
	Deputy General Manager	Yung-Hao Lin										
	Foreman, Precise iManufacturing Center	Chih-Cheng Tsai										
	Assistant Vice President, Strategic Intelligence Center	Min Yueh										
	Manager, Cost Management Center	Chen-Chen Fu										
	Manager, Administration Service Center	Tung-Wei Li										
	Manager, Research & Design Center	Ching-Ting Chen										
	Precise iManufacturing Center	Chun-Ying Ho										
	Cost Management Center	Hsiu-Wei Lin										
Employees	President Office	Shu-Ching Wang	67,000	0.06%	67,000	10	670,000	0.06%	0	10	0	0%
	Global Business Center	Yen-jen Chen										
	Global Business Center	Chih-Yi Hsu										
	Finance Department	Yi-Chun Liu										
	Precise iManufacturing Center	Hung-Lin Chen										
	President Office	Jui-han Chang										
	President Office	Chien-Yu Lu										
	Global Business Center	Jui-Ting Ling										
	General Manager	Yung-Hsiang Lin										
	Deputy General Manager	Yung-Hao Lin										

**7. Merger or acquisition or transfer of shares of his company to issue new shares: None.**

**8. Funding plan execution situation**

The second domestic unsecured conversion of corporate bonds in 2018 (84362)

**(1) Project Content**

**A. The date and the letters of approval from the competent authority**

It was approved by the Financial Supervisory Commission on May 18, 2018, with the letter of the Financial Supervisory Certificate No. 1070313343.

This time, the second unsecured conversion of corporate bonds in Taiwan was collected, and the amount raised was NT\$120,000,000, which was completed in the second quarter of 2018. The fundraising plan is mainly used for the construction of logistics warehouse buildings and the construction of automated storage systems, the purchase of machinery and equipment and the enrichment of working capital. The amount is NT\$600,000,000, NT\$200,000,000, and NT\$400,000,000 respectively.

**(2) Implementation**

The Company issued second domestic unsecured convertible corporate bonds. As of the fourth quarter of 2019, the company's fund utilization project for the raised funds has been fully implemented and there are no changes involving the project.

## V. Operational Highlights

### 1. Business Activities

#### A. Business Scope

(1) The scope of business of the Company shall be as follows:

- a. C104010 Sugar Confectionery and Bakery Product Manufacturing
- b. C110010 Beverage Manufacturing
- c. C199990 Other Food Manufacturing Not Elsewhere Classified
- d. C307010 Apparel, Clothing Accessories and Other Textile Product Manufacturing
- e. C802100 Cosmetics Manufacturing
- f. CH01040 Toys Manufacturing
- g. CN01010 Furniture and Fixtures Manufacturing
- h. F102040 Wholesale of Nonalcoholic Beverages
- i. F102170 Wholesale of Food and Grocery
- j. F108040 Wholesale of Cosmetics
- k. F203010 Retail Sale of Food and Grocery
- l. F208040 Retail Sale of Cosmetics
- m. F401010 International Trade
- n. ZZ99999 All business items that are not prohibited or restricted

by law, except those that are subject to special approval

The Company's major business projects are research, development, sales, and manufacturing of functional beverages, dietary supplements and skin care products.

#### 2. Sales Mix

Unit: NT\$ 1,000

Product Category	2019		2020	
	Annual Revenue	%	Annual Revenue	%
Dietary Supplements	8,692,720	90.87	7,354,288	89.42
Skin Care Products	751,272	7.85	710,424	8.64
Others	122,140	1.28	159,139	1.94
Total	9,566,132	100.00	8,223,851	100.00



### C. Major Product Categories

The Company's current major products are health foods and skin care products, providing a cross-border R&D platform for rapid R&D and manufacturing service. We bring experts together from many countries to provide the fastest service, the latest materials, and the safest process. We also provide comprehensive support including art design and a complete service mechanism featured our three core beliefs: Quality, Quick Manufacturing, and Optimal Quotation to achieve product quality and safety, fast delivery, and ideal quotation, which will meet various types of customer needs. Functional beverages include collagen beverages that supplement the loss of collagen; glucosamine beverages that lubricate joints, and other liquid drinks for various purposes such as whitening, breast enhancement, slimming, reducing blood fat levels and improving immunity. Dietary supplements include various types of products such as hard capsules, soft capsules, tablets, powders, liquid products, and jelly, which are used for whitening, anti-wrinkle, slimming, eye protection, liver protection, immunity improvement and nutritional supplementation. Skin care products include face care and body care products, such as: the LipoButy™ mask, eye masks, essences and cream.



D. New products (services) the company planned to develop.

**Peptide**

**Biomimicry**

Through its peptide synthesis technology, TCI has developed the Black Widow Spider Venom Peptides and Blue-ringed Octopus Venom Peptides. The main effects of the Black Widow Spider Venom Peptides include increasing gene expression of basal collagen and hyaluronan synthase, maintaining the length of telomeres and prevent aging, enhancing the activity of dermal mitochondria and revitalize the skin, and significantly improving skin brightness. The main effects of the Blue-ringed Octopus Venom Peptides include increasing the gene expression of type IV collagen and elastin, increasing the gene expression of telomerase to protect telomeres and delay aging, enhancing the antioxidative capacity of the skin and fight environmental free radicals, and significantly improving skin elasticity.

On the other hand, TCI has been using the liposome targeting technology to improve the problems of targeted cells. So far, TCI has completed the research on lipid cells and continued to develop targeting liposomes for melanocytes and islet cells.

**Spider Bio-cellulose Masks**

Compared to common bio cellulose face masks, the Spider Bio Cellulose Face Mask can improve skin hydration and elasticity and smooth wrinkles and fine lines more effectively. Using the CRISPR gene editing technology, TCI will continue to edit the DNA of *Acetobacter xylinum* to make it express special proteins, which will serve as unique composite bio cellulose.

**Banana Flower Extract**

Apart from the clinical research on food and skincare products featuring the Banana Flower Extract, TCI will, through further research on active ingredients, identify the active compounds that effectively inhibit the secretion of dihydrotestosterone and promote the growth of hair follicle cells. Also, TCI will continue to conduct in vitro studies to find out all the regulatory mechanisms related to the effects of banana flower extract and its active compounds on hair growth to set the cornerstone for the development of hair growth medicine in the future. Meanwhile, TCI will further conduct clinical efficacy evaluations for commercialized banana flower extract, which will be the world's only hair loss prevention product featuring banana flowers. The use

of banana flowers, an agricultural by-product, can greatly improve the agricultural values of bananas.

## **TCI 275 (TRILLION PROBIO)**

TCI275 is a kind of *Lactobacillus fermentum* derived from breast milk, which is a major factor for the development of infants' gastrointestinal microbiome and can effectively degrade lactose and ease the symptoms of lactose intolerance. With this health effect, TCI275 is the solution for the lack of lactose digesting enzymes and is permitted for use in Taiwan, China, EU, and Indonesia.

TCI has selected from various types of milk and various strains the edible bacteria that can degrade lactose. The breast milk-derived TCI 275 *Lactobacillus fermentum*, resistant to gastric acid and bile salts, is the best solution for lactose intolerance.

## **2. Industry Overview**

### **A. Status Quo and the Development Trend**

Through our unique methodology, "Integrated Bioscience Design (IBD)", the Company integrates R&D, production and marketing into a cross-border service platform by a comprehensive innovative service model, exploring consumer needs from the industry overview, and combining cross-disciplinary expertise and technologies into the brand. We develop high-performance products and shorten the time required from product development to launch for our customers and fulfil our corporate mission: "Join & Delight Consumer's Life". The Company's products can be divided into functional beverages, dietary supplements, skin care products and other related products. Because functional beverages and dietary supplements are in the scope of functional foods, the analysis of functional food market and skin care market is shown as follows:

#### **(1) Functional Foods**

##### **a. Global Market Is Showing Steady Growth**

With the promotion and implementation of the concept of preventive medicine, people choose adjuvant and alternative therapies to prevent the occurrence of diseases. Among them, health care products and functional foods have the effects of providing nutritional supplements, improving health and delaying aging. The consumption and the use of health care products and functional foods have become a trend, especially in Europe and Americas. According to Grand View Research and Statista, the global market size of nutraceutical

industry in 2019 was US\$391.8 billion. It is expected to grow to US\$562.8 billion in 2018-2023. The compound annual growth rate (CAGR) is 7.3%, and the CAGRs of functional beverages, functional foods and dietary supplements are 5.8%, 7.9% and 8.2%, respectively.

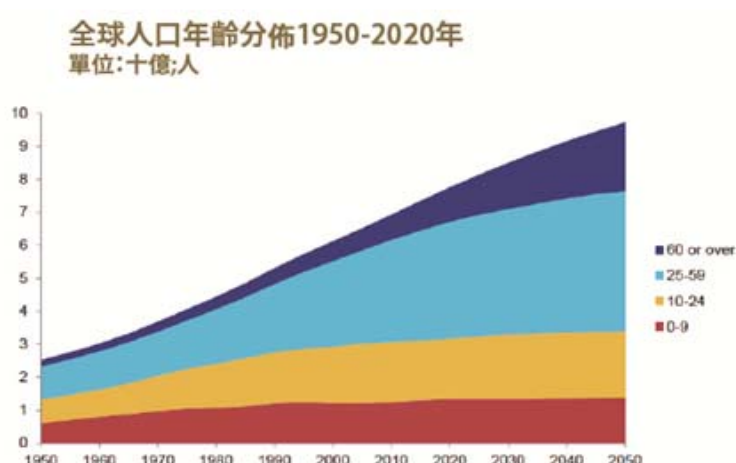
(US\$ Billions)

Product	2018	2019	2024	CAGR
Functional Beverages	83.1	93.7	124.4	5.8%
Functional Food	161.5	174.8	255.6	7.9%
Dietary Supplements	72.7	123.3	182.8	8.2%
Total	317.3	391.8	562.8	7.3%

(Data source: Grand View Research, Statista, the editor of the analysis report)

#### b. Acceleration of Global Population Ageing

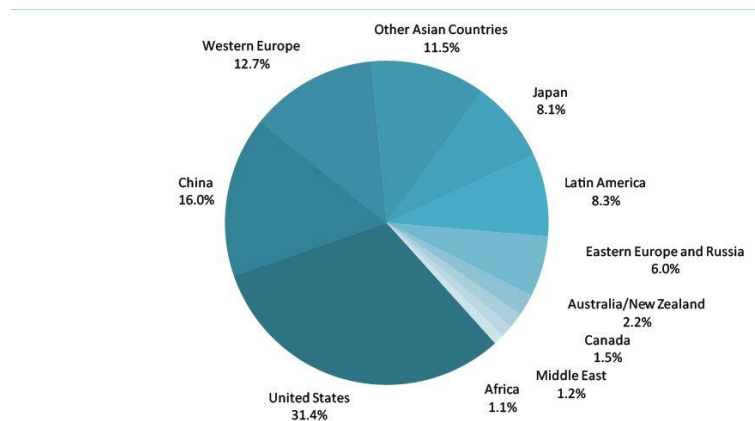
According to the latest UN report, the world population is estimated to reach 9.8 billion in 2050, of which more than 1.5 billion people will be over 65 years old, accounting for about 16% of the total population. Compared with the total population of 7.6 billion in 2017, the elderly population is 700 million, accounting for only 9% of the total population. The world population is rapidly aging. On the other hand, with the advancement of medical technology, the average life expectancy of human beings is getting longer and longer. The United Nations predicts that the average life expectancy of human beings in 2019 will be 72.3 years old, and will reach 74.3 years in 2030. Preventive health care has become one of the most concerned issues by consumers around the world.



(資料來源: The United Nations, OECE, Macquarie Research)

### c. Importance of Asia Is Increasing

From the perspective of global health care products, the United States is still the world's largest health care market. According to data database established by the marketing research agency, Nutrition Business Journal, the US market share in the global market reached 31.4% in 2017. Asia has been developing rapidly in recent years. Among them, China's health care market has surpassed Western Europe and ranked second in the world. The Chinese market share accounts for 16.0% of the global market. Japan accounts for 8.1%, and other Asian regions account for 11.5. The influence of Asian countries is axiomatic. With the intensification of population ageing in China, consumers have strengthened their awareness of nutrition and health care. In the future, the population and penetration rate of healthcare products will likely to be further improved.

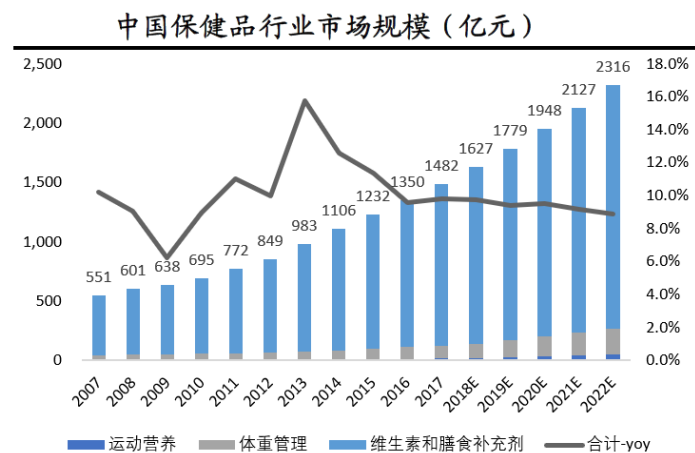


*(Data Source: Nutrition Business Journal)*

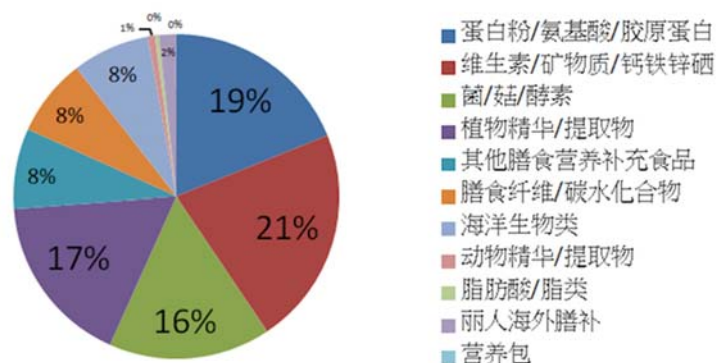
### d. Market Size of Health Care Industry in China Is Growing Steadily

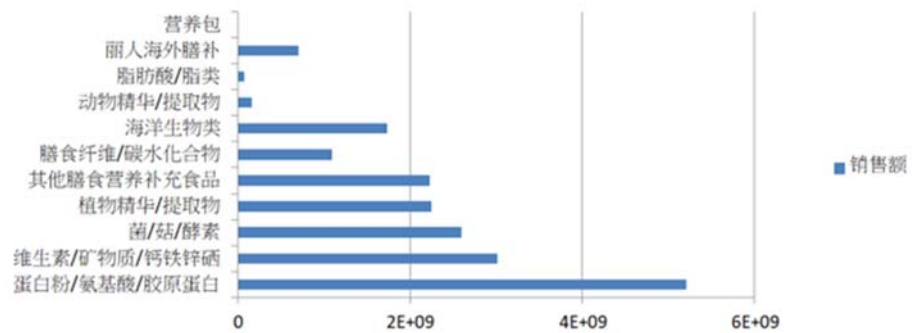
According to Euromonitor, the market size of China's healthcare products reached RMB 140 billion in 2019. In 2018, vitamins and dietary supplements accounted for the largest market share of 91.3% while the market shares of weight management and sports nutrition products were relatively small, 7.4% and 1.3%, respectively. However, the market size of sports nutrition products grew the fastest with a CAGR of 39.6% from 2015 to 2018; the market size of vitamins and dietary supplements and weight management products grew at the CAGRs of 10.3% and 11.9%, respectively. In 2019, sales on Tmall and Taobao

have reached RMB 19.149 billion, an increase of 78.3% from the RMB 13.23 billion in the same period of the previous year. Vitamin, mineral, calcium, iron, zinc, and selenium products accounted for the top sales volume (21%) in the online beauty sales market, while the sales of protein powder, amino acid, and collagen products ranked top (RMB 509 million). In recent years, protein powder, amino acid, and collagen products have become increasingly popular among Chinese consumers, among which collagen products are most popular on online platforms. In recent years, the concept of focusing on health has become popular in China, and the per capita GDP growth of the Chinese has made the demand for preventive health products grow strongly.



Sales Volume Percentage of Health Care Products on Tmall and Taobao





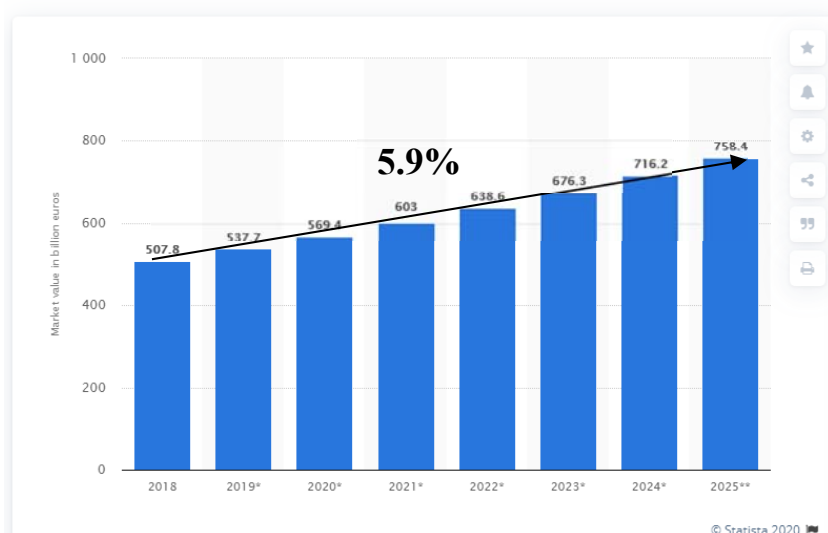
(Data Source: Euromonitor, NORTHEAST SECURITIES)

## (2) Beauty Care Market

### a. Speeded Up Growth of the Global Beauty Care Market

Beauty and skin care have always been valued by female consumers. According to Statista, cosmetics industry is a vast global industry with the annual sales of \$507.8 billion in 2018 and the CAGR of 2.2% in 2011-2018. With the emergence of cosmetics in emerging markets, coupled with the rejuvenation of the age group and the advancement of cosmetic industry by natural and environmentally friendly products, the CAGR is expected to increase to 5.9% in 2018-2021.

Value of the cosmetics market worldwide from 2018 to 2025  
(in billion U.S. dollars)



(資料來源: Statista)

Cosmetics and beauty care products are mainly based on daily skin care (36.1%) and hair care (22.9%) products, while cosmetics account for 17.3%. It has demonstrated that makeup has gradually become part of people's daily life. In terms of regions, Asia Pacific is the largest cosmetics market (36%), followed by North America (24%) and Western Europe (20%). The rapid aging of the population has led to strong consumer demand for anti-aging products that help prevent wrinkles, age spots, dry skin, and uneven skin tone, thereby creating new business opportunities for the beauty care market.。

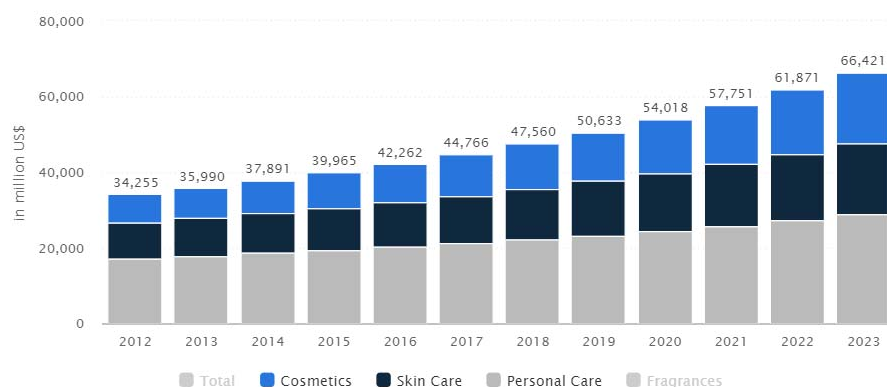


(Data Source: IBIS World)

## b. The Attention-catching Facial Mask Market in China

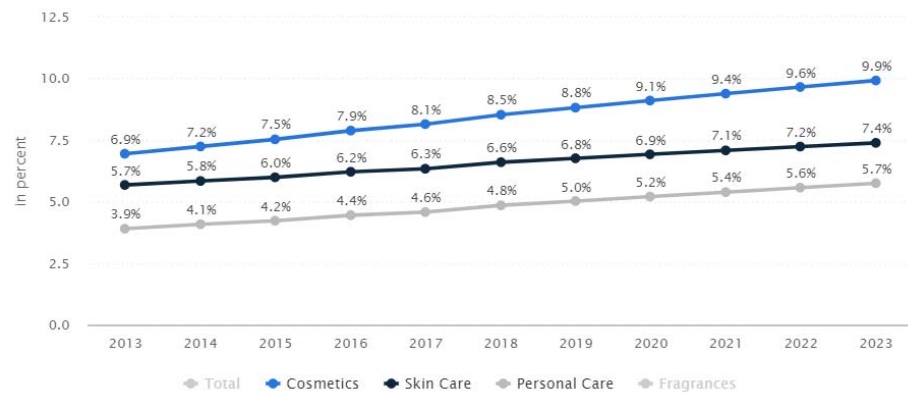
According to Euromonitor, China's retail sales of beauty and personal care products reached RMB 387 billion in 2019, an increase of 6.7% from the previous year. It is expected that the CAGR will be 6.9% in 2020-2021, which is higher than the global growth rate.

Revenue in the Beauty & Personal Care market in China



Revenue Growth in the Beauty & Personal Care market in China



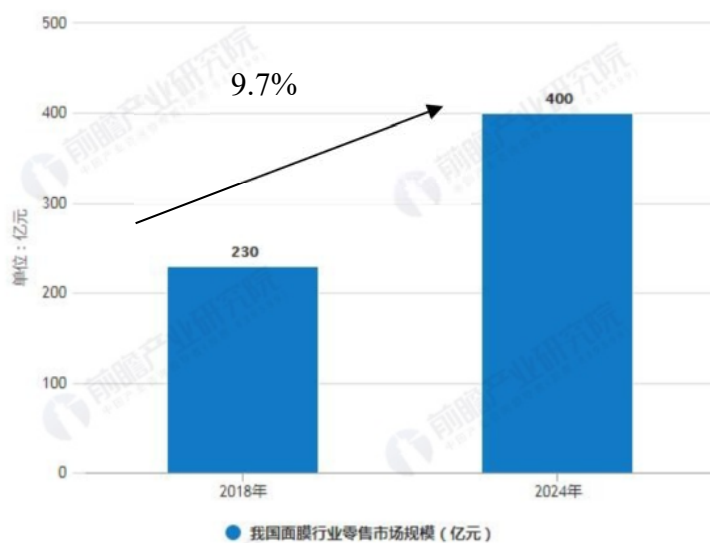


*(Data Source: Statista)*

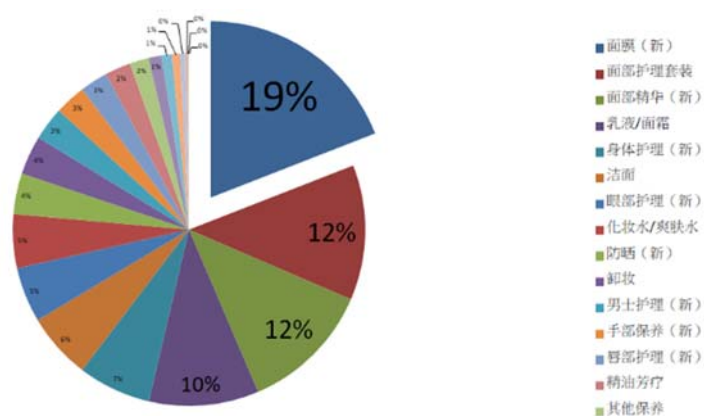
As consumers in China are paying more and more attention to skincare, facial masks have become a part of daily routine, and the market size of men's skincare products has been growing rapidly. According to Euromonitor, the size of China's facial mask market reached RMB 23 billion in 2018, and the CAGR reached 15.8% in 2010-2017, significantly higher than the overall growth rate of 8.7% in the cosmetics industry during the same period. It is expected that CAGR will still be 9.7% in 2018-2024.

In 2019, sales on Tmall and Taobao have reached RMB 23.329 billion, a 47.2% increase from the RMB 15.845 billion in the same period of the previous year. The market share of facial masks accounted for the largest number (19.07%) in the online beauty product market, with the sales volume of 363 million pieces in 2019. With the growth of national per capita income, the frequency of the use of facial masks has further increased, following the footsteps of Japanese and Korean consumers, and the size of the Chinese facial mask market is expected to reach a new peak.

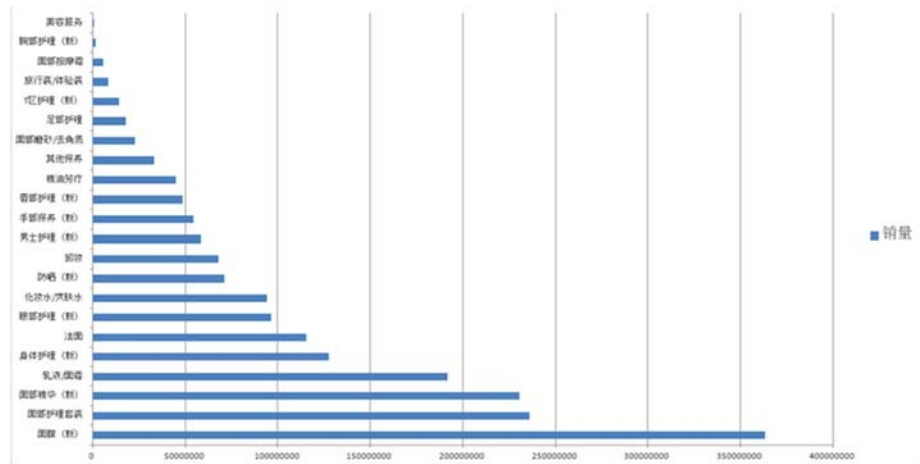
2018-2024年我国面膜行业零售市场规模统计情况及预测



2019 年天貓及淘寶美妝產品銷量額與同比銷售額



Beauty Product Sales on Tmall and Taobao

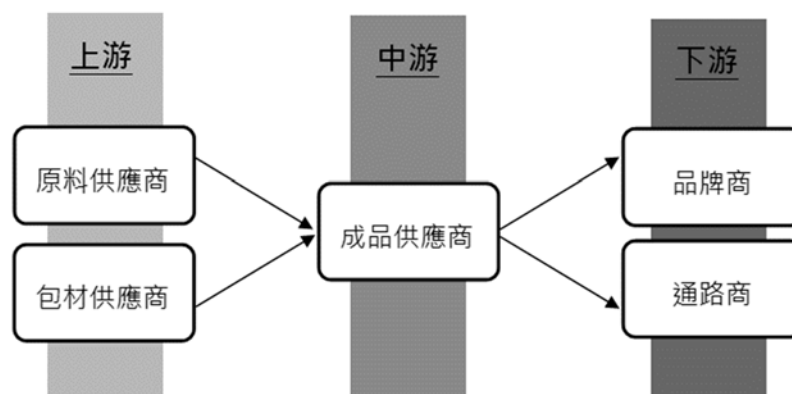


(Data Source: Qianzhan Industry Institute (前瞻产业研究院))

## B. Correlations between Upstream, Midstream, and Downstream Companies

Across the entire industry chain, the Company focuses on the development of new products, and the R&D and the manufacturing of functional beverages, health foods and beauty care products. We are at the upstream and the midstream of the overall supply chain. Our major business model is to search for bio-materials from different places around the world. We integrate the results to develop new types of bio-materials through our professional analysis, and then provide customized formulas according to different needs of customers. We use our own patented technology to conceptualize the idea from our customers. Through our research team, global procurement system and raw materials management, we have been developing competitive and market-oriented products for customers. The correlations between upstream, midstream, and downstream companies in biotechnology industry in Taiwan are shown as follows

食品生技產業結構圖



## C. Development trends and forms of products

### (1) Trends of Product Development

The company's scope of R&D mainly covers 4 areas: the development of health foods and skin care products, innovative functional foods, and genetic testing platforms, products, and services. The raw materials of health food and skin care products have been developed for many years and have achieved considerable results. At present, more than 90% of the company's products are formulated with the company's self-developed IBD raw materials. Through the "Bio-Resource Data Mining" business model, combined with an AI automated management platform plus a cloud system, plus 7 extraction and biotransformation processes, the efficacy of 100 types of cells is studied and evaluated, and the performance of 200 types of genes is analyzed to explore the regulation mechanism, and 15 kinds of natural ingredients have been analyzed. In 2020, the company's Bio-Resource Data Mining process was upgraded again, incorporating proteomics, metabolomics, microbiology, and more automated identification of active ingredients. With this process, the company will conduct more in-depth and broad-spectrum research on the efficacy of raw materials and products. It is estimated that the future R&D efficiency will increase by more than 350 times to accelerate the exploration of the value of global biological resources. The new Bio-Resource Data Mining process will also

become a niche for the subsidiary Quantum Biology Inc., which will continue to improve human life.



In addition, in terms of genetic testing platforms and personalized health management services according to the human genetic variation, the G2 genetic analysis kit (for DNA) is used to conduct genetic risk assessment for 58 common diseases of Asian people. The R1 (for RNA) dynamic analysis kit is used to conduct real-time monitoring of relative expression levels of mRNAs. The B1 (for proteins) biochemical analysis kit is used to monitor physiological changes in our bodies. We predict and monitor health status through the analysis reports of DNA, RNA, and proteins, and establish personalized nutrition recipe and health management strategies for each customer with the physicians and the dietitians of our exclusive clinic.



DNA sequencing has entered into people's lives, and people's recognition of health has begun to change. Early detection, personalized monitoring, and timely treatment of cancer are the benefits brought by genetic technology. After human genome is decoded, everyone can more clearly understand the correlations between genes, nutrition and diseases. Each of us has 99% of the same genetic sequence, but about 1% of the remaining genetic sequences are different, which gives each of us unique physiological traits. We call this 1% difference in gene sequence Single Nucleotide Polymorphism (SNPs). To date, thousands of SNPs have been found to be related to nutrition. If this SNP is a gene that regulates nutrient absorption, environmental factors, or even metabolic drugs, it will greatly affect our health.

The Company's gene development laboratory is dedicated to gene-related research, from human DNA exploration to the genetic loci (SNPs) associated with health and even disease, to understand individual health situations. With the long-term accumulation of research energy on natural resources by the TCI team, we fully mine the natural materials, thoroughly understand the biochemical reactions (gene expression, biochemical values, etc.) of all natural substances on the cells, and we organize and calculate the correlation between genes, diet and diseases to develop personalized health management programs. From the perspective of preventive medicine, TCI strives to promote the concept of "early detection and better prevention", and makes good use of today's genetic technology, including genetic testing for analysis of innate DNA mutations, and tracking of health-related gene performance in the blood and biochemical analysis of protein, in order to provide customers with health from all aspects.

#### a. Raw Material Development for Dietary Supplements

Since 2011, the Company has been devoted to the development of autonomous special-purpose raw materials (referred to as IBD raw materials). We add raw materials to existing product formulas to improve its efficacy while ameliorating its safety, and we fully control the source of raw materials to ensure product quality. In addition to improving the competitiveness of the Company, it also increases the economic benefits of domestic agriculture. So far, the following health products have been successfully developed and marketed from IBD raw materials:

- (1) Happy banana® (Banana Peels): helps sleep and relieves stress
- (2) Sugarlock® (Peanut Membrane): inhibits the increase of blood sugar and helps lose weight and improves the symptoms of diabetes
- (3) Wbeauty® (Wasabi Leaf Extract): inhibits the formation of melanin and helps whiten the skin
- (4) CitriSlim® (Ponkan Unripe Fruit): improves metabolism and assists in weight loss
- (5) Liverguard® (Indian Jujube Unripe Fruit): improves liver function and relieves hangover symptoms
- (6) JellySkin® (Jellyfish Extract): replenishes glycoprotein and helps improve skin hydration
- (7) Formosal Ruby™ (Djulis): inhibits the formation of glycated proteins and delays skin aging
- (8) Cleaner J™ (Flammulia velutipes Extract): absorbs excess body fat and assists in weight loss
- (9) Green Caviar® (Sea Grapes Extract): improves skin hydration, helps whiten the skin and fight oxidative stress
- (10) O'Young (Broccoli Sprout): serves as a super antioxidant
- (11) Guard U® (Cabbage Extract): contains vitamin U and inhibits gastric ulcers
- (12) Ocean White® (Sargassum glaucescens Extract): serves as an antioxidant with anti-UV effect.
- (13) Dragon Power® (Polygonatum kingianum Extract): increases male testosterone levels and helps improve sexual function
- (14) Soba!® (Polygonatum kingianum Extract): increases high-density cholesterol levels and helps regulate blood lipids

- (15) SugarCut® (Unripe Guava Fruit): inhibits the increase of blood sugar and helps lose weight and improves the symptoms of diabetes
- (16) Happy Angel® (Banana Stamen Extract) : helps prevent prostate hypertrophy
- (17) Dr.Lu (Sea Bass Extract) : promotes wound healing and enhance immunity
- (18) Sun & Moon Enzyme® (Fermentd Dioscorea opposite): protects gastric mucosa and relieves gastric ulcers
- (19) Block 2.5® (Pear Unripe Fruit Extract): repairs lung epithelial cells and removes PM 2.5 from the body
- (20) DKM® (Eggshell Membrane): for degenerative arthritis care
- (21) TCI633 (*Streptococcus thermophilus*): helps improve skin condition and self-production of hyaluronic acid
- (22) TCI378 (*Lactobacillus plantarum*): Protects the intestines and reduces fat, lowers the rate of fat absorption, and accelerates the decomposition and metabolism of fat
- (23) TCI028 (*Lactobacillus plantarum*): Manages and controls 3 highs and prevents atherosclerosis
- (24) TCI507 (*Lactobacillus plantarum*): Manages and controls 3 highs, lower blood cholesterol levels, and reduces fat to help weight control
- (25) TCI711 (*Bacillus coagulans*): Metabolizes alcohol, reduces ROS, and protects the liver
- (26) TCI999 (*Lactobacillus plantarum*): Activates cells
- (27) TCI058 (*Lactobacillus casei*): Increases muscles and reduce fat, produces CLA, and promotes lipolysis
- (28) TCI357 (*Lactobacillus helveticus*): Removes PM2.5, improves respiratory allergies and lung cleansing
- (29) Banana Fermentation: Regulates the intestinal microbiome, increases, through fermentation, the amount of water-soluble fiber, SOD, and organic acids
- (30) Angelica dahurica Fermentation: Helps improve skin condition and inhibit melanin
- (31) Gardenia jasminoides Fermentation: Reduces the anti-inflammatory factor NO content with anti-inflammatory effects



- (32) *Amomum villosum* Fermentation: Improves hepatic lipid metabolism and inhibits the formation of the fatty liver
- (33) *Punica granatum* Fermentation: Improves skin condition and helps increase collagen content
- (34) *Actinidia deliciosa* Fermentation: Improves gastrointestinal health and digestion and relieves gastrointestinal discomfort
- (35) *Citrus reticulata* Fermentation: Helps control weight and improve fat metabolism
- (36) TCI Musicalzyme (pop): Helps control weight and improve fat metabolism
- (37) Blackzyme: Reduces the damage of blue light to eyes with anti-blue light effects
- (38) *Rhizoma Imperatae* Fermentation: Improves skin condition and helps increase collagen content
- (39) *Semen Raphani* Fermentation: Improves cardiovascular health, reduces foam cells
- (40) Watermelon Extract: Improves cardiovascular health, reduces foam cells

In addition to the above-mentioned developed IBD raw materials, the Company is conducting research on plant stem cells and investing in the research and development of drugs. It is expected to develop more natural and beneficial ingredients to human health. The TCI Plant Stem Cell Research and Development Center values the preservation of precious plant varieties through establishing the manner of constant moisture and temperature preservation and developing more than 30 kinds of sterile seedlings of feature plants of Taiwan, and gradually studies the effectiveness and function of the stem cells. This raw material is produced by the Company itself from plant introduction and disinfection, callus induction, cultivation of mass production, to the end of ultrasonic extraction, experimental analysis, clinical testing, as a complete raw material development process. We will develop more in situ or special plants, and use the effective substance of their stem cells to produce unique raw materials for skin care products and food products.

In addition to the use of solid-state tissue culture technology, the Company also develops new operation modes such as tidal and automated culture, and

strengthens the control of production capacity and cost on the basis of existing stable production to create more effective IBD raw materials. Recently, TCI also developed skin care products that are different from the market, such as snowlotus stem cells and iceplant stem cells. Through cell experiments, gene platform to final skin test integration, TCI thoroughly presents the specificity and function of raw materials, so that customers can more clearly understand the true mechanism of effect.

In addition to being used as skin care products and food materials, plant stem cells are also investigating the use of botanicals (API), using special cultivation methods and compound identification techniques to identify specific ingredients, and further developing them into usable medicines, providing more natural and beneficial to the human body. The ingredients. The ingredients that have been developed are as follows:

Snowlotus	Orchid	Iceplant	Tea
Peachblossom	Camellia	Hibiscus	Polygonum
Lavender	Rosemary	Ginseng	Ginkgo
Dendrobiumofficinale	Rhinacanthus nasutus		

#### b. Gene analysis platform and products and services

Genetic research is gradually bringing human cognition of medical and health care to the precise application of personalization. The Company's G2 gene detection kit has been developed for DNA genetic testing products specifically for Asian Chinese. Sixty chronic diseases can be detected at a time, which provides the risk of diseases as a reference for the personalized health management. The G2 gene test kit for the assessment of inheritance risks includes tests for metabolic diseases such as diabetes, hypertension, hyperlipidemia, obesity, and cardiovascular related diseases such as stroke, coronary artery disease, and about 14 cancer such as colorectal cancer, liver cancer, and breast cancer. In addition to the genetic detection kits related to the disease and health, the Company has paid more attention to the needs of the general public and created many consumer genetic testing kits. Designed a number of genetic testing kits aiming for different ethnic groups such as the OB obesity gene kit for the slimming group, the BS kit for the beauty group, the environmental toxic metabolism kit, the oral inflammation kit, the pregnant

mommy stretch marks and the keloid kit, cell anti-aging kit. The Company has accumulated a total of 6,000 gene detection commissions. Through the newly created health management e-platform, the public can obtain personal genetic testing information while maintaining personal privacy rights. In addition, through our e-platform, clients can choose individual health management strategies, including genetic nutrition specialties, genetic nutrition drips, gene exercise prescriptions, professional health consultation, medical health insurance, core health management plans and other diverse programs, to meet more needs of people for health care.

In order to enable people to more fully understand the health effects of personalized health management and the health applications of G2 gene detection products in preventive medicine, the Company also develops R1 dynamic gene tracking system and B1 protein biological indicators. Through regular blood tests, it provides timely examination of the physical status of the seven major items of blood tumors, cell anti-aging, neurodegenerative diseases, brain vascular diseases, cardiovascular risk, hepatitis and cirrhosis, immune rheumatism and allergies. Additionally, supplemented by high-level bioinformatics statistics, the results of the operations will enable the public to get early warning of disease when the physiological trait of traditional medicine is not obvious. The Company strives to develop a good prediction system and R1 tracking system through genetic technology, and provides ODM personalized health management program for each person. With the health management of genetic nutrition specialties prescribed by the Company's professional physicians and dietitians, it helps people avoid high-risk diseases. In addition, the Company strives to improve the member service system to become a strong backing for the health of members. The efforts of the professional R&D team in the research and development of genetic technology are for the health of members. They introduce biomedical patented IBD raw materials into gene nutritional formulation system to achieve the most accurate and immediate health management.

c. Research and application of symbiotic microorganisms

Microbial immunology has a very important role in clinical practice, and it is also closely related to the health of people in daily life. The Company will invest more in the development of functional probiotics, and establish its own

proprietary database of beneficial bacteria, including two series of self-produced strains and gene-regulated strains. For example, TCI633, which produces small molecule hyaluronic acid, is self-generated bacteria. According to the latest R&D data, TCI633 has significant curative effect on initial degenerative arthritis. At the same time, through genetic research, it is pointed out that TCI633 may slow down the initial degenerative arthritis swelling and pain by regulating the activity of osteoblast production. Our R&D team will develop more self-generated series of strains and use the metabolic products of beneficial bacteria to achieve the health care effects of nutritional supplementation. The gene-regulated strains will target chronic diseases such as hypertension, high blood fat, diabetes, obesity, etc., so that microorganisms can regulate the expression of certain specific genes in the human body. Therefore, in the future, the people will continue to supplement with the good bacteria, so that the good bacteria can colonize the body and align with the physiological regulation mechanism of the human body. This utilized the microbiology and human symbiosis to achieve the best benefits of health promotion. So far, the Company's proprietary probiotics scientifically proven with health benefits include:

- (1) TCI633 : relieves discomfort of degenerative arthritis and prevents the development of degenerative arthritis
- (2) TCI378 : reduces cholesterol production, increases fat metabolism, and helps with weight management
- (3) TCI028 : reduces TMAO in the blood, prevents cardiovascular disease, and is resistant to garlic
- (4) TCI507 : decreases the level of cholesterol in blood and helps regulate blood lipids
- (5) TCI711 : promotes liver function and helps toxins degrade and excrete, reducing the accumulation of toxins in the human body.
- (6) TCI999 : improves longevity gene performance and avoids aging
- (7) TCI357 : improves lung cell repair and PM2.5 clearance rate for respiratory health care

(8) TCI058 : converts fatty acids in the diet to CLA, increases the metabolic rate of the human body and prevents re-fat

(9) TCI515 : provides two-way regulation of immunity, prevention of allergies, and enhancement of resistance

(2) The competition of products

In response to the needs of consumers, in recent years, the trend of functional food and beauty care products and formulas is that there will be star materials emerge almost every 2 to 3 years, such as peptide protein raw materials, fruit acid, vitamin A acid, botox, L-vitamin C, Q10, collagen, hyaluronic acid and deep ocean water. Functional foods and beauty care products are the soul of the entire beauty industry. How to seek new, change, and develop new raw material technologies, formulas, and R&D of new products is a major issue. Therefore, we should continue to pay attention to customer needs and develop innovative strategies in response to the trend of the times for future development opportunities.

Since 2018, the Company has created a new operation mode of “Bio-resource Data-mining”, which is manufactured by gene technology, big data, automation, smart formulation platform and industry 4.0. Therefore, starting from integrating large data form the high-automation devices, which can only be seen in front of the screen including real-time fluorescence quantitative analyzer, AOI automatic optical detection, high speed and high throughput sample processing arm, fully automatic nucleic acid extraction, and fully intelligent six-axis arm, it turns artificial intelligence and automated laboratories into reality. It also combines global biotechnology resources to create high-performance products. Product development focuses on new materials and extraction, screening technology. Based on the extraction and screening conditions of raw materials, they are incorporated into the the experimental design according to the characteristics of the material, the required time, output power, temperature, material liquid ratio, material size and other variables. And the extraction and screening conditions are optimized, and the stability and effective absorption are sought. In addition, through automated research and development, it combines seven kinds of extraction and biotransformation processes, 100 kinds of cell efficacy platform experiments,

200 gene regulation and expression mechanisms, 15 kinds of natural components analysis. Each effect component needs 17,700 experiments. After the vertical integrated automation of "bio-mining", it has increased efficiency by 70 times. Installing high-speed engines accelerates the value of global biological resources. The Company gradually increased the proportion of IBD raw materials automatically, actively distribute patents and increase the advantages that other competitors could not copy.

The Company has developed three core technologies for many years to create high-performance and differentiated products. Technology One, Double Nutri is the innovative technology of TCI, which creates the possibility of nutritional supplementation through emulsification + colloid bearing technology. Now we can use the double-cylinder emulsification technology to combine dual-phase nutrition to create a more effective and convenient product. Technology Two, LipoButy™ is a technology that uses sub-micron molecules to accelerate the delivery of the essence and reach the bottom of the skin. LipoMask™ micro-lipid mask, the technology is originally used for pharmaceuticals, and the output is small and expensive. The Company takes the lead in expanding the production capacity with advanced process. The essence component is the first in the industry to coat the whole liposome with superior characteristics such as small particle size and high permeation, so that the essence can quickly penetrate into the skin cells. As the most effective mask in the industry today, the application time is shortened from 15 minutes to about 5 minutes to achieve the ultimate beauty and skin care effect. Technology Three, the Company conducts cell efficacy tests on the existing functional raw materials with the high-throughput methods from the unilateral to the compound. And we quickly explore whether it has the effect of multiplying or offsetting each other, and integrate this large amount of data into Synergene™ database. According the data, we design different functional appeals including the formulation of skin, immune regulation, cardiovascular health, blood sugar, exercise performance, etc., to develops commercial dosage forms, and then evaluates clinical efficacy. In the future, for brand customers, whether it is in raw materials or terminal products, it can effectively provide scientific verification and integrated high-performance product solutions.

The Company has been developing collagen peptide products for many years, and master the source and characteristics of upstream raw materials. It takes the lead in using technology to create a trace method for the source of collagen peptides, and conducts supplier inspections at a strict genetic level. In addition to verifying the information provided by suppliers, the ultra-high resolution tandem mass spectrometer was used to analyze and detect the collagen peptide sequence, and the analysis results are compared with the international reference standard database. The first-order structural similarity of the protein is verified by artificial intelligence to trace the source of the collagen peptide extraction from pigs, fish and cattle. In addition, the difference in sequence can further identify the species, whether it is a breeding or wild pig, which of the cattle, buffalo, and yak, and which fish. It can analyze the mixed ratio of species. The ratio allows the collagen peptide consumers to eat with confidence, promote the special function of collagen products, and promote the healthy growth of the collagen peptide market. Accurate identification supports differences between collagen peptide sequences and create more differentiated functional and scientifically certified products.

### 3. Technology and R&D overview

#### A. Technical Level and Research Development of the Business



The Company's R&D and Design Center adjusts strategies following the Company's decisions from designing products to meet the needs of customers to automatically actively developing raw materials and promotion of the "Bio-integrated Design" process. The Center is dedicated to the digging of various natural assets including feature plants, agriculture and food processing by-products, microorganisms and their metabolites, marine organisms, etc., and evaluates each material through extraction and biotransformation (fermentation) process, cell efficacy test analysis, and explores the gene regulation mechanism at the cellular level from the gene platform, and finally separates its unique active ingredients. After active ingredients are repeatedly verified, they enter the human clinical research and accelerate the research and development output through the introduction of various automation platforms, which makes the Company's research and development speed in the field of health and technology extremely advantageous. The Company's R&D and Design Center has set up nine laboratories to jointly operate, including Q-ODM Lab, Next Lab, E.V.E. Lab (Efficacy Value Experience), and Human & Microbiome Laboratory (H&M Lab), Molecular Identification & Analysis Laboratory (MIA Lab), ISO 17025 Lab, Eagle Eye Lab, Aroma Therapy Physiology Lab (ATP Lab), and Gene Lab. The energy of R&D is relayed and transmitted to meet the various needs of consumers from now to the future. And the method of Bio-integrated Design follows the principle strictly and is focused and fast to continuously innovate and check.

The brief introduction to the 9 major laboratories of the Company:

#### (1) Next Lab

The Next LAB scouts and pinpoints innovative research topics in a far-sighted manner; with the powerful resources of the organization as back up, the Lab with forward-looking researchers, combining the most recent advancements from various academic institutions, act as the incentive for the Company's innovative differentiation. The Lab has successfully developed the plant-stem-cell engineering technology for the sustainable development of rare/ precious medicinal plants and



herbs. Using the plant-stem-cell engineering technology, the Lab is able to mass produce active ingredients through callus tissue cultures that more importantly amplifies the final product potency so as to provide, to the Company's customers, potent dietary supplements and skin care products with stable quality. In addition, the Lab utilizes micro-emulsion encapsulation technology to perfectly mix oil-soluble substances and water soluble ones to stretch product application and diversity. Through rigorous technological development and deployment of global patents, the Lab never stops innovating, experimenting and practicing, always solving potential problems for our customers before they even occur and foreseeing the needs of consumers by creating fully lifestyle integrated experiences.

## (2) H&M

Lab

The Human Microbiome Laboratory (H&M Lab) focuses on the establishment of a strain library of multifunctional probiotics. Through active screening of probiotics and the natural flora function feedback loop, the development of target-specific micro floral adjustment and modification from selective bacterial manipulation truly benefits each individual and truly improves consumers' lives.



### (3) MIA Lab (Molecular Identification & Analysis Laboratory)

The Molecular Identification & Analysis Laboratory (MIA Lab) utilizes various high-tech instruments, such as GC/MSMS, LC/MSMS, NMR, UPLC and other internationally recognized methodologies to analyze and identify natural active substances and microbial metabolites. MIA Lab works closely with the GENE Lab to define the active substances responsible for benefiting effects based on the results of in vitro studies. All of the Company's extraction processes are designed to provide maximum yields of health benefiting substances, making our product highly function focused and efficacy driven.

### (4) E.V. E Lab (E.V.E stands for "Efficacy, Value, Experience")

Through the numerous collaborations with renowned medical research centers, the Lab has laid the groundwork for a pioneering visualization of the clinical verification techniques, by issuing product validation reports to secure the

reliability and integrity of a product's consistency, ensuring only the best is delivered, for the customers and for consumers.

(5) Q-ODM Lab (Q-ODM stands for “Quality Quickness Quotation Original Design Manufacturer”)

The Q-ODM LAB implements the formulations provided by the Product Design Department and crafts theoretical designs into reality so as to ensure optimal manufacturing processes and the most reliable mass production schedule, simultaneously adopting fine-tuning in the advancement of our production processes; the moment the initial samples are created, the planning for all considerations regarding production flow, and product optimization commences immediately. Through parametric analysis of all available sensory tests, flavor evaluations, skin reactions to sheet masks and dermatological referencing, the Lab helps achieve the highest Quality standards, while being the Quickest in awareness for new business opportunities and lastly providing the economics of rational Quotations.

(6) ISO17025 Lab

The ISO17025 Lab is internationally recognized 17025-certified by the Taiwan Accreditation Foundation (TAF). It is equipped with GC-MS/MS and LC-MS/MS to safeguard the products with the fittest international criteria met, and to uphold the Company's insistence that all products conform to the high-efficacy standard. TCI is the leader that sets an industry changing implementation of "100% Safety" product traceability system which contains the entirety of product detailed specifications and every test report conducted from the ingredient to the finished products. The Lab conducts analyses and tests for over 300 test targets, those including but not limited to 3 major

preservatives classes, 7 dominant microorganism groups, 9 main heavy-metals categories and 105 pesticide residues. The datasheet documents are attached to the finished products to reassure the customers of product quality and safety.

#### (7) Gene Lab

The Lab has successfully developed a high-throughput cell screening platform to readily identify the ideal optimum target function of every raw material. Through a series of experimentation, the Lab is able to further clarify the interaction between active compounds and genetic groups. Also, the Lab has developed G2 technology, a new genetic tooling and analytical platform, which can predict the likelihoods of certain disease developments, including 58 types of chronic diseases (Diabetes, Hypertension, hyperlipidemia, obesity and other metabolic syndromes) and 14 major cancers. Moreover, the Lab utilizes the R1 Chip, which allows a current physical status examination, and B1 testing that provides dynamic tracking of genes and protein. The two-phase examinations are used to create a gene-centered personalized health management plan.



#### (8) AI-STEM

In response to the amendments to the law concerning cell therapy in Taiwan in 2018, TCI established the AI-STEM (Anti-age Institute for Stem Cell Technology and Experimental Medicine) laboratory in September 2019, mainly responsible for the development of human cell therapy technology. By adopting exclusive cell culture technology, the laboratory produces cell preparations of the highest quality for the treatment or prevention of diseases. In the process of developing cell therapy, IBD raw materials developed by the unique Bio-resource Data Mining system will be combined with a "cell efficacy verification platform" to find out the impact of raw materials on human stem cell activity and functionality, so as to find the best raw materials for human cell activity.

#### (9) PACK Lab

The PACK Lab is mainly responsible for the development of environmentally friendly packaging materials, the development of special materials, and the design of three-dimensional structures. As green environmental protection remains the focus that countries have attached great importance to in recent years, PACK Lab conducts research on how to make composite packaging materials recyclable and biodegradable, and develop various environmental packaging materials that meet market needs. At the same time, the Lab also studies the appearance and packaging of products to make them more convenient for consumers to use and attract consumers' attention.

#### (10) Q-Pharm Lab

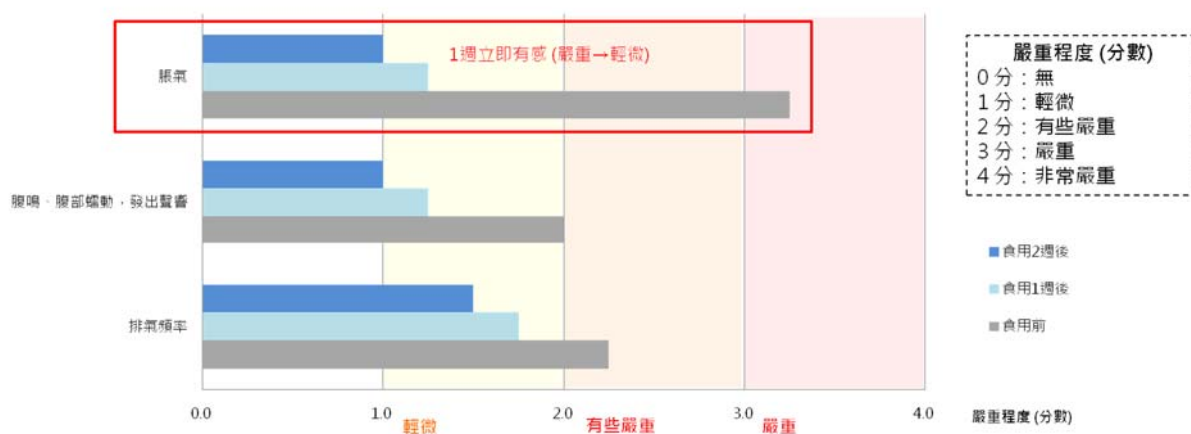
The main purpose of The Q-Pharm Lab is to target TCI Group's existing IBD compounds, use disease-related screening platforms to explore the possibility of compound development into new ingredients and new drugs, and cooperate with the ACE Lab to perform pharmacological or toxicological adjustments of new drug molecules in response to an aging society. The Q-Pharm lab currently focuses on studying diseases related to aging and hopes to build strong protection for human health on the basis of TCI's development of dietary supplements.

### (11) ACE Lab

The main task of the ACE (Advanced chemical synthesis and engineering) Lab is to analyze TCI Group's unique IBD compounds, develop a total synthesis route, and optimize the mass production process to meet the needs of future animal experiments and clinical trials. After combining the pharmacology and toxicology platform of the Q-Pharm Lab, the Lab can produce new compound molecules, with better efficacy and safety, as the core driver of new drug development. In addition, the team's proficient organic synthesis technology can also provide technical support for the development of novel materials within the group and explore more possibilities.

### (12) Maxi Lab

The Maxi Lab mainly researches various medical materials that can be made from collagen and hyaluronic acid, including intra-articular injections, artificial bones, collagen regeneration dressings, skin fillings, and ophthalmic viscoelastic. The key technologies of the Lab include collagen extraction and reconstruction, collagen ceramic composite modeling, hyaluronic acid modulation and cross-linking, etc.



## B. Research and development personnel and their education

In terms of personnel quality, the master's degree at the end of April 2021 accounted for 79.5% of the total number of R&D personnel.

Unit: person / year

Item		Year	2019	2020	As of May 1, 2021
Academy Ratio of R&D Staff	Ph.D		19	17	16
	Master		62	77	73
	College		42	27	23
	Below Senior High School (Included)		1	0	0
Total			94	121	112
Average Years of Service			2.1	2.9	2.75

Note: Manpower statistics of the whole TCI group (including subsidiaries, full-time dispatch and appointment, excluding temporary manpower).

## C.R&D Expense incurred in the most recent year and up to the publication of the annual report

Unit: NT\$1,000

Item		Year	2018	2019	2020
Research and Development Expenses(A)			438,046	510,846	497,208
Operating Revenue(B)			8,098,414	9,566,132	8,223,851
Ratio of Research and Development Expense to Operating Revenue (A/B)			5%	5%	6%

D. Technology and products that have been successfully developed in the most recent year and as of the date of annual report publication

Year	Major Achievements
2017	<ol style="list-style-type: none"> <li>1. Application research of young pear fruit extract in respiratory health care and detoxification products</li> <li>2.TCI378 reduced fat probiotics</li> <li>3. Black tomato extract in eye care health food application development</li> <li>4. Xueyan extract in the development of tight skin care products</li> <li>5. Sailboat grape extract in the development of the compact anti-aging effect</li> <li>6. Eclipta extract in the development of whitening skin care products</li> <li>7. Orange peel fermentation in body fat management product development</li> <li>8. Application of mango fruit extract to anti-glycation and fat-reducing products</li> <li>9.TCI711 detox probiotics</li> <li>10. Fucus algae extract that enhances skin elasticity and anti-aging</li> </ol>
2018	<ol style="list-style-type: none"> <li>1. Tree tomato extract in eye care health food application development</li> <li>2. Liulan extract in the development of moisturizing skin care products</li> <li>3. Water scented extract for skin care products development</li> <li>4. Peach glue extract for the development of elastic care products</li> <li>5. Prickly pear extract in the application of full-effect antioxidant health food development</li> <li>6. Banana stamen extract in the development for hair care products</li> <li>7. Buckwheat hull extract in the development for anti-glycation health food</li> <li>8. Tenaka bark extract is used to prevent skin aging and skin care products development</li> <li>9. Red dragon ovule extract for anti-glycation health food application development</li> <li>10. Durian carpel extract in development for anti-fatigue health food applications</li> <li>11. Paramita white core extract in development for women's health care food applications</li> <li>12. Dendrobium candidum extract for skin care application development</li> <li>13. Kaqi huatima extract in the development for anti-aging products</li> </ol>



	<p>14. Daidai flower extract for the health food of beauty skin and fat loss development</p> <p>15. Jinhua tea extract is used in the application of the health food of skin fat reduction</p> <p>16. Purple citronella extract for Qingfei health food development</p> <p>17. Tea trunk cells in development for skin care products</p> <p>18. Coffee cherry for the health food of beauty skin development</p> <p>19. TCI507 orange bacteria can reduce blood lipids and regulate intestinal bacteria</p> <p>20. TCI357 pear bacteria can repair lung epithelial cells and enhance the ability of macrophages to phagocytose PM2.5.</p> <p>21. TCI028 good heart bacteria can prevent atherosclerosis and reduce the risk of new blood vessel diseases</p> <p>22. Pomegranate fermented foods and skin care products for whitening and skin firming.</p>
2019	<p>1. Dill extract in brain health food application development</p> <p>2. Gold raspberry extract in the application of beauty health food application development</p> <p>3. Traveler tree extracts for anti-aging health food application development</p> <p>4. Wild cherry blossom extract is applied to the beauty health food application development</p> <p>5. Emerald Cherry Extract for Skin Care Food Application Development</p> <p>6. Indiana extract is applied to antioxidant health food application development</p> <p>7. Banana Extract in health food application development</p> <p>8. Peanut Skin Extract in health food application development</p> <p>9. Wasabi Leaf Extract in beauty care health food application development</p> <p>10. Ponkan Unripe Fruit Extract in health food application development</p> <p>11. Indian Jujube Unripe Fruit Extract in health food application development</p> <p>12. Jellyfish Proteins Extract in health food application development</p> <p>13. Sargassum glaucescens Extract in health food application development</p> <p>14. Djulis Extract in beauty care health food application development</p> <p>15. Flammulia velutipes Extract in health food application development</p> <p>16. Sea Grapes Extract in beauty care health food application development</p>

17. Broccoli Sprout Extract in health food application development
18. Cabbage Extract in health food application development
19. Polygonatum kingianum Extract in health food application development
20. Buckwheat Husk Extract in health food application development
21. Unripe Guava Fruit Extract in health food application development
22. Banana Stamen Extract in health food application development
23. Sea Bass Extract in health food application development
24. Fermented Dioscorea oppositifolia in health food application development
25. Pear Unripe Fruit Extract in health food application development
26. Eggshell Membrane Extract in health food application development
27. Streptococcus thermophilus in beauty care health food application development
28. Lactobacillus plantarum TCI378 in health food application development
29. Lactobacillus plantarum TCI028 in health food application development
30. Lactobacillus plantarum TCI507 in health food application development
31. Bacillus coagulans TCI711 in health food application development
32. Lactobacillus plantarum TCI999 in health food application development
33. Lactobacillus casei TCI058 in health food application development
34. Lactobacillus helveticus TCI357 in health food application development
35. Banana Fermentation in health food application development
36. Angelica dahurica Fermentation in beauty care health food application development
37. Punica granatum Fermentation in health food application development
38. Amomum villosum Fermentation in health food application development
39. Punica granatum Fermentation in beauty care health food application development
40. Actinidia deliciosa Fermentation in health food application development
41. Citrus reticulata Fermentation in health food application development
42. TCI Musicalzyme (pop) in health food application development
43. Blackzyme in health food application development

	<p>44. Rhizoma Imperatae Fermentation in health food application development</p> <p>45. Semen Raphani Fermentation in health food application development</p> <p>46. Watermelon Extract in health food application development</p>
2020	<p>1. Nostoc Commune Extract in beauty-care health food application development</p> <p>2. Cyclocarya Paliurus Extract in fat-reducing health food application development</p> <p>3. Blackberry Extract in beauty-care health food application development</p> <p>4. Dandelion Flower Extract in fat-reducing and edema-reducing health food application development</p> <p>5. Peony Flower Extract in beauty-care health food application development</p> <p>6. White currant extract in beauty-care health food application development</p> <p>7. Plum unripe fruit extract in fat-reducing health food application development</p> <p>8. Crystal Roselle Extract in beauty-care health food application development</p> <p>9. Persimmon Unripe Fruit in oral health food application development</p> <p>10. Pineapple custard apple extract in beauty-care health food application development</p> <p>11. KetoZyme Ferment in health food application development</p> <p>12. White Mulberry Ferment in health food application development</p> <p>13. Yellow Pitaya in health food application development</p> <p>14. Chioggia beetroot in health food application development</p> <p>15. Euterpe Oleracea Ferment in health food application development</p> <p>16. Elderberry Ferment in health food application development</p> <p>17. Guarana Ferment in health food application development</p> <p>18. Solanum muricatum ferment in health food application development</p> <p>19. Ancient Sleep Ferment in health food application development</p> <p>20. Prunus Domestica Ferment in health food application development</p> <p>21. Anti-Allergy Ferment in health food application development</p> <p>Annona Muricata Ferment in health food application development</p> <p>22. Lonicera japonica ferment in health food application development</p> <p>23. Red ferment in health food application development</p> <p>24. Magnetic Energy Ferment in health food application development</p>

	25. Ginseng Cordyceps Complex Ferment in health food application development
	26. Indian Gooseberry Ferment in health food application development
	27. Citrus japonica complex fermentation in health food application development
	28. TCI999 in health food application development
	29. TCI515 in health food application development
	30. TCI604 in health food application development
	31. TCI275 in health food application development
	32. TCI366 in health food application development
	33. TCI250 in health food application development
	34. TCI058 in health food application development
	35. TCI188 in health food application development
	36. TCI803 in health food application development
	37. AKK formula in health food application development
	38. AKK plus W in health food application development
	39. AKK plus P in health food application development
	40. Golden formula in health food application development
	41. Black Widow Venom Peptide in skin care product application development
	42. Blue Ring Octopus Venom Peptide in skin care product application development
	43. TCI LPO in health food application development
	44. Diamond Bovine Collagen in health food application development

#### (4) Short-Term and Long-Term Development Plans

##### A. Short-Term Development Plans

- i. Rapidly develop new products with opportunities for market trends, continuously strengthen formula design and intensify product efficacy to enhance product efficiency. Meet market needs with production cost control and innovative product packaging design to expand market share.
- ii. Continue to strengthen the development of local materials in Taiwan, and aim to become exclusive raw materials. Especially strengthen, scientize and value-add Taiwan's native agriculture.
- iii. Devote to improving the product design capability and technical level of R&D personnel to increase market competitiveness.
- iv. Use a bioreactor in a liquid culture manner to cultivate plant callus (stem cells) in a large scale, develop optimum production conditions for each product, and strengthen product efficiency and reduce production costs.

##### 2. Long-Term Development Plans

- i. Continue to communicate and cooperate with universities and hospitals, and research and develop more new materials, products and efficacy verification in combination with academic resources.
- ii. Fully integrate raw materials, establish its own experimental extraction plant at the processing end, and plant plants with development potential on its own to achieve full-scale integration of raw materials.
- iii. Research and development of genetic testing, research on the relationship between genetic and genetic diseases, and related clinical trial projects.
- iv. The relationship between the application of microbial immunology to clinical medicine and personal health.

## 2. Market, production and sales overview

### (1) Market analysis

#### A. Target regions

Unit: NT\$1,000; %

Year Counterpart ty	2019		2020	
	Amount	%	Amount	%
Domestic Customers	436,140	4.56%	544,927	6.63%
Overseas Customers	9,129,992	95.44%	7,678,924	93.37%
Total	9,566,132	100.00%	8,223,851	100.00%

#### B. Market share

Unit: US\$ billion

Item	The Company's Annual Revenue in 2020 (Note)	Market Share
Supplements and functional food	2.49	0.11%
Cosmetic and Skin Care Products	0.24	0.004%

Data source: Euromonitor, mordorintelligence

Note: The currency exchange rate between US\$ and NT\$ was 1:29.53.

### 3. Market supply and demand situation and growth in the future

The global health food market is expected to reach US\$230.9 billion. In recent years, natural products, plant extracts, organic sources and sugar-reducing formulas have increasingly gained people's attention, and products such as protein, fish oil, Omega fatty acids and probiotics have been rapidly developed. The Company will develop and manufacture related products based on the development trend of health foods. According to the market research report of Mordorintelligence, the global beauty care products market reached US\$5,704 in 2018. It is estimated that the global beauty care products market will reach US\$805.6 billion in 2023, with a compound annual growth rate of 7.14%.

## D. Competitive Niche

### i. Continuous development of new materials

In response to the needs of consumers, in recent years, the trend of functional food and beauty care products and formulas, there will be star material almost every 2 to 3 years, such as peptide protein raw materials, fruit acid, vitamin A acid, Botox, L-vitamin C, Q10, collagen, hyaluronic acid and deep ocean water. Functional foods and beauty care products are the soul of the entire beautiful industry, and how to seek new, change, and develop new raw material technologies, formulas, and research and development of new products is a major issue. Therefore, we should continue to pay attention to customer needs and develop in response to the trend of the times. Develop your own innovative strategies for future development opportunities.

The Company is responsible for the development of re-materials and extraction and screening technologies. The extraction and screening conditions of raw materials are based on the characteristics of the materials, and the time, output power, temperature, material ratio, material size and other factors are added. In the experimental design, the extraction and screening conditions are optimized, and the stability and effective absorption are sought. In the future, the Company will gradually increase the proportion of autonomous IBD raw materials, actively distribute patents, and increase the advantages that other competitors cannot replicate.。

### ii. Actively deploy overseas markets

The bottleneck in the scale of the domestic food biotechnology industry lies in the fact that its market size is too small to rely solely on the Taiwan market. It is necessary to focus on the Asia-Pacific market and the global market, otherwise it will be difficult to survive and grow. The domestic manufacturers should strategically focus on economies of scale as the primary task, and actively develop the Asian markets of many potential consumers. In particular, the Chinese mainland market can be used to develop markets first, to identify differences, adapt to local conditions and complement Taiwan's advantages. How to make consumers' peace of mind and healthy eating become an important trend of product development. When Taiwanese manufacturers enter the mainland market, because of the stable quality and beautiful design, and the safety of Taiwanese manufacturers is generally trusted by mainland consumers, they can be launched. Special products such as products with Taiwan characteristics or advantages are used to cut into the layout of business opportunities.

The Southeast Asian market, including Malaysia, Indonesia and other countries,

has a large Muslim population. Therefore, based on religious beliefs, the Muslim population attaches great importance to the source of raw materials for the demand for functional foods. Healthy foods or beauty products developed by food biotechnology companies must avoid alcohol and pig extracts in order to gain the favor of local consumers.

The Company is committed to the development of the international market, and has established a service base in the existing mainland China market. For the Southeast Asian market, considering the Muslim population in Malaysia and Indonesia, in addition to applying for halal certification and developing products in line with local conditions, 2017 Jakarta, Indonesia, reached an office and went deep into the local market. In addition, we are also actively developing regions such as Japan, Europe, Australia and India to expand our customer base.

### iii. Product quality assurance and validation

The Company's entire products have passed the inspection, and the Company's quality verification laboratory has passed ISO17025 and TAF certification, and the credibility is equivalent to the third-party inspection unit. In 2015, LC-MS/MS and GC-MS/MS were newly purchased to establish product history. The system consists of five preservatives, eight major microorganisms, nine heavy metals and 310 pesticide residues, six plasticizers, and a “product resume” containing product specifications and various measurement items. Attached with the goods, so that customers are more at ease.

## E. Advantages, Disadvantages and Countermeasures of Developing Prospects

### i. Favorable factor

#### i-1. Development of preventive medicine and adjuvant therapy

Chronic diseases, including cardiovascular diseases, hypertension, cancer, chronic respiratory diseases and diabetes, threaten human health. As the number of chronic diseases increases, it becomes a major concern for medical expenses and social welfare burdens in various countries. Health and function From the perspective of preventive medicine, food has the functions of increasing nutrition, promoting health and delaying aging. It is gradually favored by governments and consumers in the context of expecting health care and functional foods to reduce medical expenses and health awareness.

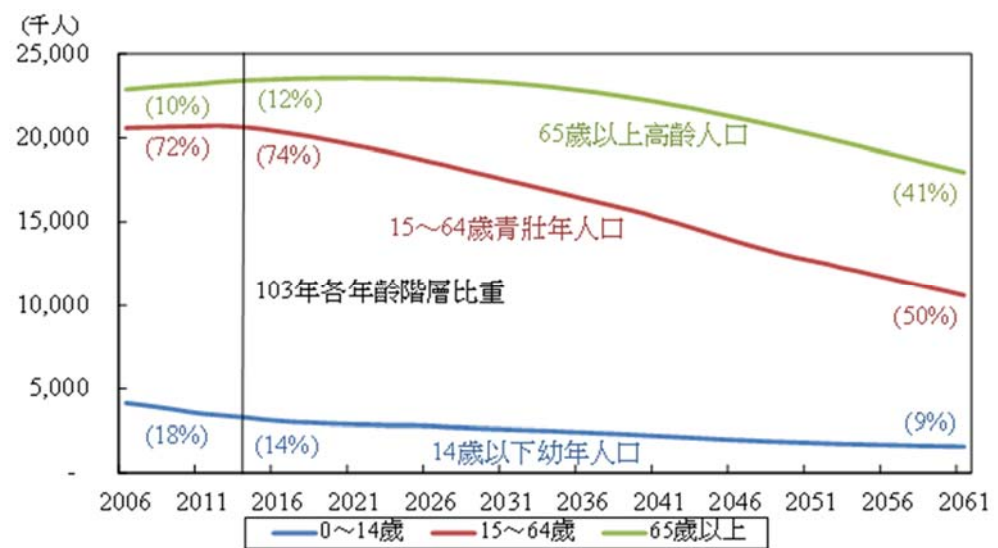
#### i-2. Health awareness and the elderly population increase to increase market demand

Chinese people are affected by social and people's livelihood problems such as long-term stagnation of real wages and high housing prices. Coupled with the rise of Chinese singleism and the gradual decline of the concept of raising



children, the people's fertility will decline for a long time, and the population structure of China continues to be aging. According to the Ministry of the Interior. According to statistics, the proportion of the elderly population in Taiwan increased to 14.09% in 2017, officially entered the old age society, and entered the super senior age (more than 20%) in 2035. As the elderly population pays more attention to their own health and the food consumption budget is higher, it will drive the market scale of domestic health food, nutritional supplement food, natural grain, fruits and vegetables and fresh food to continue to expand.

Taiwan's demographic trends



*Data source: Ministry of the Interior, R.O.C. (Taiwan)*  
 Population estimation of the Republic of China: collected by Topology  
 Research Institute, 2015/04

i-3. Consumer self-care awareness

As the concept of “self-care” is taking shape, consumers are encouraged to build a sense of health awareness and continue to recognize that food can provide health benefits and help with disease management, such as improving cardiovascular function and strengthening body energy. Increased purchasing confidence with endurance, maintenance of overall health and improved digestive system, especially for certified and clinically proven products.

i-4. Increased income in China and the emphasis on health awareness

In recent years, with the high growth of the Chinese mainland economy, with the increase in consumer disposable income, the expenditure on improving health and living standards will also increase. In the next few years, the mainland vitamin and health food market is expected to continue to maintain its ideal momentum. According to data provider Euromonitor, as of the end of 2017, the mainland market for vitamins and health supplements has reached RMB 160 billion, and with the release of consumption power in second- and third-tier cities, it will become a new force for consumption growth. The market for food and beauty care products has great potential for development in the future.

i-5. Increased female spending power

Women’s economic and life autonomy makes them able to invest more in order to improve their external problems. External improvements can increase interpersonal relationships, and beautiful appearances can be appreciated by others. In addition, there may be more job opportunities. The advantages brought by external advantages make women willing to invest money and time to receive various kinds of beauty care services in order to become beautiful. The sales volume of beauty drinks market is growing year by year. It shows that Taiwan women's requirements for beauty are not limited to the face. Instead of pursuing all-round beauty, the future will be a big business opportunity for the health food and beauty care products market.

i-6. The rise of genomics

Scientists are currently studying the interrelationship between genes, diets, and diseases of "personal genomics," so-called nutrigenomics, to achieve life

management and disease prevention, and even predictive purposes. Personal genetic testing confirms whether it is prone to metabolic syndrome or other diseases, and provides health measures for life, diet, and health food applications to achieve preventive effects.

ii. Unfavorable factors and countermeasures:

ii-1. The health and functional food market has flourished, causing large domestic and foreign manufacturers to enter, and many competitors in the industry.

Action Plans:

- a. The Company is guided by the needs of consumers. In the development process, the products assist customers to conduct feasibility analysis and produce specific marketing plans, and to grasp the analysis of target group preferences, so that products can grasp market trends before production and can avoid Develop highly competitive products.
- b. The Company set up a function verification laboratory to conduct experimental verification on product efficacy, give scientific data and proof with high reference value, and cooperate with various medical centers or professional institutions to open a complete professional verification report to enhance customer confidence and satisfaction. degree.
- c. The Company conducts molecular-level DNA and RNA research on raw materials and products, understands how raw materials and products work in the human body, and understands the synergy between the various materials for efficacy, which can be used to design products. The most effective product.
- d. The Company has applied for patents in Taiwan, the United States, China, South Korea, Hong Kong, Japan, Germany, France, India, Singapore and Europe. Up to now, 239 patents have been approved and 265 applications have been approved to prevent research and development. Infringed by others, innovative products to ensure the competitive advantage of the Company and its customers.
- e. The Company has two GMP-certified factories, such as a capsule tablet factory and a functional beverage factory, which have improved the Company's self-made rate. Currently, we are actively expanding the domestic demand market and other overseas markets in China, and we have

established health food factories and mask factories in Jinshan District, Shanghai, China to directly serve local and international customers with high efficiency and competitive prices.

- f. The Company uses a variety of autonomous IBD (Integrated Bio-science Design) raw materials such as banana peel and peanut film. In 2014, it also used 12 kinds of health care products (including Formosa Ruby™, Cleaner J™, Dragon Power™, etc.). Won the international invention awards, through the differentiation of raw materials and dosage forms, develop unique products to lead the market and avoid competition among peers.

- ii-2. The Taiwan market is limited in scale and food hygiene management regulations (such as food hygiene management laws, health food application licensing methods, etc.) tend to be strict.

Action Plans:

- a. China's market will increase its market size with the increase of people's income. Therefore, the Company has established a large-scale service base to gradually promote the entire line of products to the Mainland China area.
- b. At present, sales in the US and Europe account for a gradual increase in the overall proportion of the Company. Through the successful model of business development, we actively strive for orders from internationally renowned manufacturers.
- c. The Company is also actively developing the Southeast Asian market. Considering that there are many Muslims in Indonesia and Malaysia, in addition to applying for HALAL certification, and developing new products that meet local customs, such as fish collagen drinks, to enhance consumer purchases. Willingness.
- d. The Company's Legal Intelligence Department has collected and organized the laws on health food and beauty care products in Taiwan, China, Malaysia, Hong Kong, the United States and Europe to ensure that the Company's products can fully comply with regulations and reduce legal risks.

- ii-3. The characteristics of health foods belong to a product that is directly consumed by consumers, so the safety of products is a consideration that consumers will pay attention to when purchasing.

Action Plans:

- a. The R&D department laboratory of the Company is responsible for raw material development, formula design and efficacy verification, and manufactures according to SOP specifications. After being issued by the Quality Assurance Center, it can be listed to ensure the safety and efficacy of the products.
- b. Because the Health Department of the Executive Yuan has strict specifications for healthy foods, if the Company's products want to obtain the certification of healthy foods, it must undergo a rigorous review process, indicating that the certified products have passed the quality control of government units, making it easier. With the recognition of consumers, the Company has obtained ISO9001, ISO22000, ISO17025, HACCP, Sedex, FSSC22000, food GMP, functional food GMP, HALAL and other quality certifications at home and abroad, and established standardized production processes and strict production in the production plant. Quality control, so the product is highly competitive.

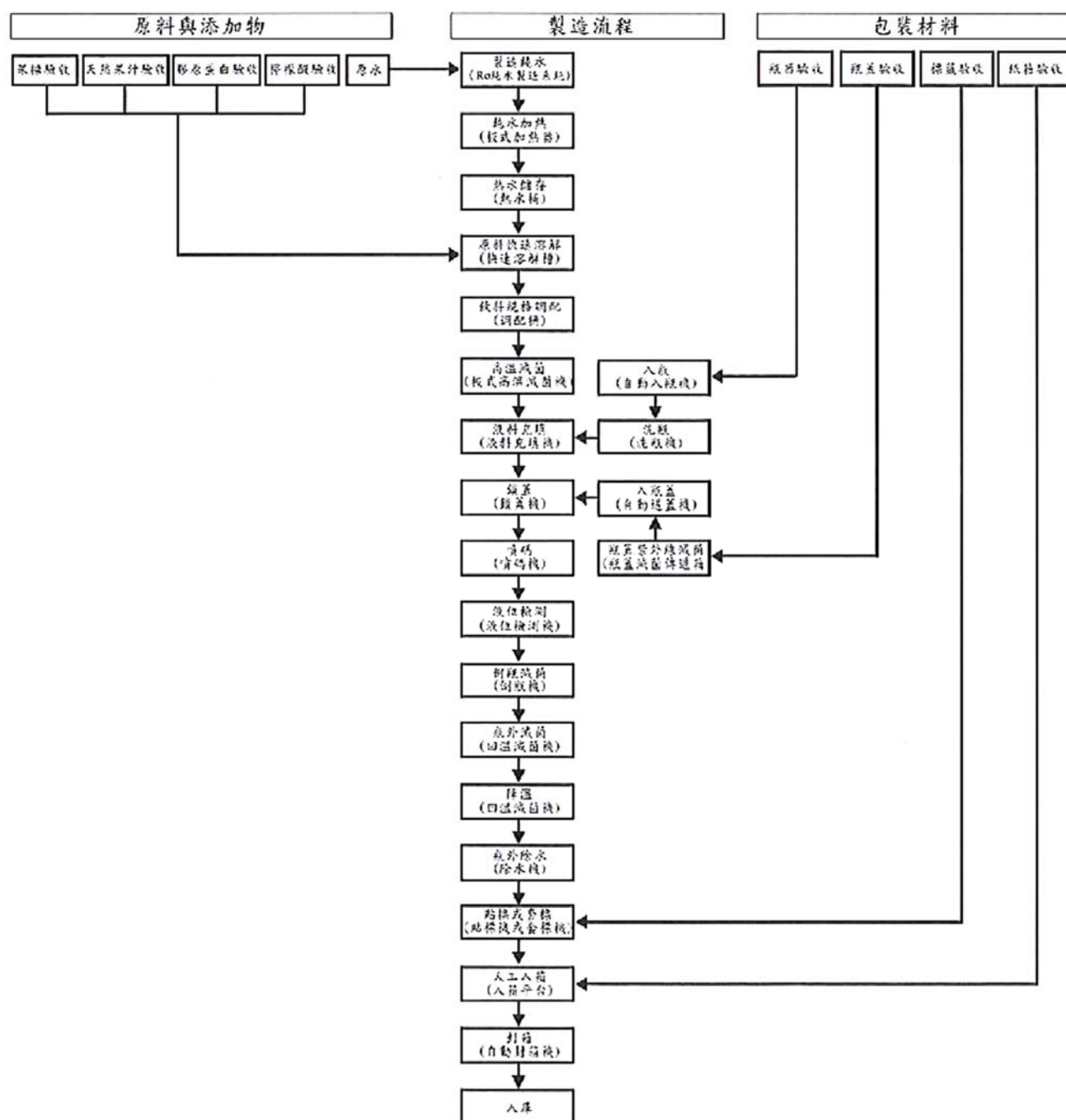
(2) Important use of the main products and production process

A. Major functionalities

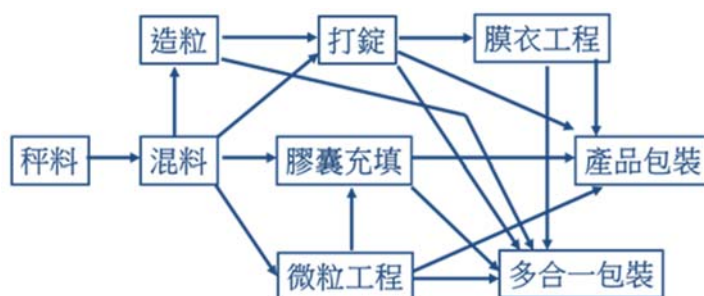
Product Category	Major Functionalities
Functional Beverages	Supplements the loss of body collagen, breast enlargement, whitening, slimming, lubricating joints, lowering blood fat and enhancing immunity
Dietary Supplements	Various types of whitening, anti-wrinkle, slimming, eye protection and immune enhancement
Cosmetic and Skin Care Products	Skin and facial skin care

## 2. Manufacturing process

### (1) Functional beverages



ii. Capsules, tablets, powders



iii. Supply of main raw materials

The Company's raw materials are supplied by domestic and foreign manufacturers. In order to obtain a stable source of purchase, the Company and suppliers have always maintained close cooperative relations and actively developed new suppliers.

iv. List of major suppliers and sales customers in the last two years

A. The name of the supplier and its purchase amount and ratio, which accounted for more than 10% of the total purchase amount in any year in the last two years, and the reason for the increase or decrease: the Company did not purchase a single supplier in 2019 and 2020. The amount accounts for more than 10% of the total purchase.

B. The name of the customer and its sales amount and ratio, which accounted for more than 10% of the total sales in any of the previous years, and the reasons for the increase or decrease.

Unit: NT\$1,000

Item	2019				2020			
	Customer Name	Amount	%	Relationship	Customer's Name	Amount	%	Relationship
1	Customer M	1,702,480	17.80	None	Customer M	1,014,753	12.34	None
2	Customer L	1,045,494	10.93	None	Customer L	1,115,443	13.56	None
3	Others	6,818,158	71.27	—	Others	6,093,655	74.10	—
	Annual Revenue	9,566,132	100.00	—	Annual Revenue	8,223,851	100.00	—

Reasons for increase or decrease:

Some types of products of customer M changed to self-made products this year, which resulted in a sharp drop in annual revenue this year and a decrease in the proportion of total sales compared to last year. In addition, the sales of various product categories of Customer L remained stable this year, and the sales increased slightly compared with last year.



v. Quantity of production in the last two years

Unit: NT\$1,000 / 1000 pcs

Year Product Category	2019			2020		
	Production Capacity	Quantity of Production	Sales	Production Capacity	Quantity of Production	Sales
Functional Beverages	266,448	170,728	3,406,917	391,248	152,696	2,183,684
Dietary Supplements	Note	Note	1,636,547	Note	Note	2,056,374
Cosmetic and Skin Care Products	Note	Note	507,181	Note	Note	394,065
Total			5,550,645			4,634,123

Note: Due to inconsistent product dosage units, it is not intended to calculate production.

Change Analysis:

The company's output value in 2020 decreased compared to 2019, mainly due to the decline in the output value of functional beverages and beauty care products resulting from the COVID-19 pandemic. However, there was an increase in sales of dietary supplements due to the growth of the sales of immunity-boosting products, which in turn led to a growing capacity of related production lines.

vi. Sales and production quantity in the recent two years

Unit: NT\$1,000 / 1000 pcs

Year Product Category	2019				2020			
	Domestic Customers		Overseas Customers		Domestic Customers		Overseas Customers	
	Quantity	Sales	Quantity	Sales	Quantity	Sales	Quantity	Sales
Functional Beverages	10,539	174,625	213,004	5,648,059	12,348	202,431	189,725	3,954,725
Dietary Supplements	Note	132,202	Note	2,737,835	Note	201,164	Note	2,995,968
Cosmetic and Skin Care Products	Note	50,389	Note	700,883	Note	56,202	Note	654,222
Others	Note	78,924	Note	43,215	Note	85,130	Note	74,009
Total		436,140		9,129,992		544,927		7,678,924

Note: Due to inconsistent product dosage units, it is not intended to calculate sales.

Change Analysis:

The company's sales value in 2020 decreased compared to 2019, mainly resulting from the decrease in sales of various regions and various products due to the COVID-19 pandemic.

3. Employees' employment, average length of service, average age and academic distribution ratio of employees in the last two years and up to the annual report

Unit: person

Year		2019	2020	As of 2021 May 1
Item				
No. of Employees	Salesperson	98		
	Management Staff	110		
	R& D Staff	123		
	Direct Staff	441		
	Total	772		
Average Age		31.2		
Average Years of Service		2.2		
Acade my Ratio (%)	Ph.D	2.53		
	Master	24.00		
	College	50.40		
	Below Senior High School (Included)	23.07		
	Total	100.00		

Note: Manpower statistics of the whole TCI group (including subsidiaries, full-time dispatch and appointment, excluding temporary manpower).

**The company's environmental improvement measures are as follows:**

1. Water Saving Plan

In 2021, the company has implemented 4 water-saving projects. The water-saving strategies include reducing the wastewater generated in the soft water regeneration process at the S5/S9 plants, reducing unnecessary drainage of water towers, and reducing tap water consumption. Among them, the plan to reduce the wastewater generated in the soft water regeneration process at the S5/S9 plants is expected to be launched at the end of May. The rest of the plans are still in the bidding stage. In the future, the Company will continue to invest in various process water improvements and improve the efficiency of water use.

安永建議可補充說明公司未來預計每年於各項節水措施投入多少經費，強化本段資訊，以利投資人瞭解。

2. Waste reduction and circular economy

(1) The waste reduction measures of the Rock Park: waste classification for general business waste, drying and dewatering of plant waste residues, and changing the dosage of sewage treatment for sludge reduction. The waste removal and treatment fee in 2019 is about NT\$5 million. The implementation of these three reduction measures in 2020 is expected to save 1.95 million per year, saving about 40%.

- (2) Circular economy: The company continues to promote waste recycling to maximize the efficiency of resource use, and the amount of reuse declared increased from 171.46 metric tons in 108 to 581.42 metric tons in 2020.  
安永建議可補充說明廢棄物再利用的使用方式與用途。

### 3. Energy Saving Plan

From 2020 to 2021, the company promoted the implementation of 6 energy-saving projects, with a total investment of approximately NT\$6.43 million. It is expected to save 414,901 cubic meters of natural gas and 75,260 kWh of electricity each year, including:

Increasing the cleaning frequency of the air-conditioning box

Installation of connecting steam pipes at TCI(TAIWAN) PABP BRANCH

Thermostat control

Humidity control

Installation of heat pump at S12 Air Conditioning Room to replace steam

Equipment pipeline insulation

### 4. Greenhouse Gas Reduction

Through equipment upgrades and process improvements, production line production efficiency has been greatly improved, and energy resources are used more efficiently. The company's greenhouse gas emissions in 2018 were reduced by 23.89% compared with 2017, of which Scope 1 emissions were reduced by 28.44% and Scope 2 by 21.81%. According to the results of the 2020 greenhouse gas inventory, Scope 2 emissions are still the company's main greenhouse gas emissions, accounting for 70% of the overall emissions. In the future, the use of renewable energy will be expanded by renewable energy self-generation as well as renewable energy certificates (REC) and power purchase agreements (PPA) to reduce greenhouse gas emissions from purchased electricity.

## 5. Labor Relations

- (1) The Company's employee welfare measures, education, training, retirement system and its implementation, as well as the agreement between the employers and the employees, and the implementation of the employee's right protection.

### A. Employee Welfare Measures

The Company and subsidiaries in Taiwan, except for the law and related laws and regulations, all employees are involved in labor insurance, universal health insurance, group accident insurance, and provide wedding and funeral allowances and various allowances, and hold regular birthday celebrations. In addition to special festivals, staff gifts (goods), year-end

tails, year-end bonuses, employee subscriptions and dividends, etc., and the establishment of the employee welfare committee to coordinate various employee welfare plans; in addition to paying social fees for employees in accordance with Chinese laws and regulations. In addition to insurance and housing provident fund, it also provides benefits such as wedding and funeral benefits and various allowances, year-end tails, and year-end bonuses.

#### B. Education and training

The Company and its subsidiaries provide a variety of training courses and various professional on-the-job education training, including new staff training, on-the-job training courses, labour safety and health education training, professional courses, etc., and department heads and staff can also send staff as needed. Or self-study courses and exeges organized by external organizations to enhance the professional competence and core competitiveness of employees, and strengthen the staff's complete training and training channels.

#### C. Retirement System and Its Implementation

In order to promote the retirement of living and strengthen the relationship between the Company and the Taiwanese companies, the Company and its subsidiaries in Taiwan are all based on the completion pension regulations. The Company provides a retirement reserve of 6% of the total monthly salary, and deposits it into the management bureau of the Bureau of Environmental Protection; The Company pays basic endowment insurance premiums on a monthly basis in accordance with the Social Insurance Law.

#### D. The agreement between the employers and the employees

The Company and its subsidiaries have always complied with various government laws and regulations, and paid attention to labor rights and interests. The employment, separation, retirement and various welfare measures of employees are based on the Labor Standards Law and relevant laws and regulations. In order to maintain a good interaction between the employer and the employee, there has not been any dispute that has caused an agreement between the employers and the employees. However, the Company will continue to make good efforts to make welfare measures more harmonious, so as to eliminate the possibility of disputes over capital disputes.

E.The agreement between the employers and the employees, and the implementation of the protection of employee rights

The Company and its subsidiaries have established a comprehensive system and system, which sets out various management measures, which clearly define employee rights and obligations and welfare items, and regularly review the revised benefits to safeguard all labor rights.

- (2) In the most recent year and the end of the annual report, the losses suffered by labor disputes, and the current and future estimated amounts and response measures may be disclosed. If it cannot be reasonably estimated, the facts that cannot be reasonably estimated should be stated.

Labor / Employer dispute loss incurred in the most recent year and up to the publication of the annual report; also, disclosing estimated current and future loss and its countermeasure : None.

**6. Important contracts: As of the publication date of the annual report, the important contracts that are still valid and expired in the most recent year are listed as follows:**

Contract Type	Signatory	Contract Counterpart	Date of Contract	Main Content	Restrictions
Contract for Work	The Company	Best Giving Construction Co., Ltd.	From the signing date to the expiration of the warranty period	S12 Digital printing engineering contract	None
Purchase Contract	The Company	YENCHEN MACHINERY CO., LTD.	From the signing date to the expiration of the warranty period	Purchase of extraction equipment at S5 Beverage Factory	None
Cooperation Agreement	The Company	National Pingtung University of Science and Technology	2020/12/1~2021/3/31	Industry-University cooperation to construct Sunrise Park and plant IBD Raw Materials	None
Cooperation Agreement	The Company	National Tsing Hua University	2020/9/15~2021/9/15	Biotechnology industry-university-institute cooperation	None
Purchase Contract	The Company	SYSTEX SOFTWARE & SERVICE CORPORATION	2020/8/17~2021/4/16	Adobe Sign online contract function development	None
Purchase Contract	The Company	YFY PACKAGING INC.	2020/4/13~2023/12/31	Purchase of packaging materials	None
OEM Contract	The Company	GALIEN INDUSTRIAL CO., LTD.	2020/10/9~2023/10/28	Toothpaste OEM	None

## VI. Financial Information

### 1. Condensed Balance Sheet and Statements of Comprehensive Income for the Last Five Years

#### A. Condensed Balance Sheet

##### (1) Condensed Balance Sheet

##### a. Stand-alone Condensed Balance Sheet

Unit: NT\$1,000

Item	Year	Financial Information in the Recent 5 Years				
		2016	2017	2018	2019	2020
Current Assets		1,041,220	1,022,643	3,080,004	2,655,330	2,106,491
Property, Plant, and Equipment		931,231	1,341,941	1,555,891	1,883,457	2,985,462
Intangible Assets		19,898	17,755	15,954	19,532	13,477
Other Assets		1,597,970	2,015,396	3,949,579	5,817,718	5,844,835
Total Assets		3,590,319	4,397,735	8,601,428	10,376,037	10,950,265
Current Liabilities	Before Distribution	684,149	873,719	2,381,478	2,781,495	3,428,644
	After Distribution	835,392	1,108,650	3,099,731	3,822,117	Note
Noncurrent Liabilities		223,953	226,641	137,938	461,467	21,585
Total Liabilities	Before Distribution	828,473	1,011,657	2,877,542	3,242,962	3,450,229
	After Distribution	979,716	1,246,588	3,595,795	4,283,584	Note
Shareholder's Equity Attributable to Parent Company		—	—	—	—	—
Paid-in Capital		756,213	870,117	1,026,076	1,196,172	1,182,202
Capital Surplus		1,400,258	1,453,414	2,256,871	2,600,733	2,618,432
Retained Earnings	Before Distribution	750,139	1,197,690	2,613,710	3,757,296	4,183,328
	After Distribution	485,464	832,241	1,741,546	2,716,674	Note
Other Equity Interests		(144,764)	(135,143)	(172,771)	(421,126)	(257,069)
Treasury Stock		—	—	—	—	(226,857)
Non-Controlling Interest		—	—	—	—	—
Total Equity	Before Distribution	2,761,846	3,386,078	5,723,886	7,133,075	7,500,036
	After Distribution	2,497,171	3,020,629	4,851,722	6,092,453	Note

Data source: The Financial Statements approved by the CPAs.

Note: The proposal for the distribution of the 2020 earnings is yet to be resolved in the 2021 shareholders' meeting.

## B. Consolidated Condensed Balance Sheet

Unit: NT\$1000

Item		Year	Financial Information in the Recent 5 Years				
			2016	2017	2018	2019	2020
Current Assets			2,347,346	2,831,034	7,227,635	6,300,355	6,944,855
Property, Plant, and Equipment			1,285,128	1,682,933	1,925,376	2,488,439	3,714,190
Intangible Assets			26,493	25,667	25,266	31,196	22,239
Other Assets			242,504	301,049	1,108,463	2,008,628	1,283,574
Total Assets			3,901,471	4,840,683	10,286,740	10,828,618	11,964,858
Current Liabilities	Before Distribution		964,450	1,272,551	4,008,630	3,130,132	4,305,496
	After Distribution		1,115,693	1,507,482	4,726,883	4,170,754	Note
Noncurrent Liabilities			155,324	149,860	509,068	490,985	70,959
Total Liabilities	Before Distribution		1,119,774	1,422,411	4,517,698	3,621,117	4,376,455
	After Distribution		1,271,017	1,657,342	5,235,951	4,661,739	Note
Shareholder's Equity Attributable to Parent Company			2,761,846	3,386,078	5,723,886	7,133,075	7,500,036
Paid-in Capital			756,213	870,117	1,026,076	1,196,172	1,182,202
Capital Surplus			1,400,258	1,453,414	2,256,871	2,600,733	2,618,432
Retained Earnings	Before Distribution		750,139	1,197,690	2,613,710	3,757,296	4,183,328
	After Distribution		485,464	832,241	1,895,457	2,716,674	Note
Other Equity Interests			(144,764)	(135,143)	(172,771)	(421,126)	(257,069)
Treasury Stock			—	—	—	—	(226,857)
Non-Controlling Interest			19,851	32,194	45,156	74,426	88,367
Total Equity	Before Distribution		2,781,697	3,418,272	5,769,042	7,207,501	7,588,403
	After Distribution		2,517,022	3,052,823	5,050,789	6,166,879	Note

Data source: The Consolidated Financial Statements approved by the CPAs.

Note: The proposal for the distribution of the 2020 earnings is yet to be resolved in the 2021 shareholders' meeting.



C. Statements of Comprehensive Income

(1) Statements of Comprehensive Income

a. Stand-Alone Statements of Comprehensive Income

Unit: NT\$1,000

Item	Year	Financial Information in the Recent 5 Years				
		2016	2017	2018	2019	2020
Operating Revenue		1,866,553	2,395,952	5,090,620	6,332,067	6,068,526
Gross Profit		404,751	638,065	1,201,081	2,246,892	2,500,657
Operating Profit		(34,826)	68,893	223,628	979,472	1,316,834
Non-Operating Income and Expenses		553,037	670,506	1,683,577	1,245,313	760,307
Pre-tax Income		518,211	739,399	1,907,205	2,224,785	2,077,141
Net Income for Continuing Operations		516,250	712,226	1,794,899	2,016,129	1,838,792
Loss from Discontinued Operations		—	—	—	—	—
Net Income		516,250	712,226	1,794,899	2,016,129	1,838,792
Other Comprehensive Profit and Loss (after Tax)		(95,616)	(22,264)	(65,140)	(157,363)	81,009
Comprehensive Income		420,634	689,962	1,729,759	1,858,766	1,919,801
Earnings per Share		6.90	8.23	17.79	17.02	15.69

Data source: The Consolidated Financial Statements approved by the CPAs.

b. Consolidated Statements of Comprehensive Income

Unit: NT\$1,000

Item	Year	Financial Information in the Recent 5 Years				
		2016	2017	2018	2019	2020
Operating Revenue		3,109,676	4,072,168	8,098,414	9,566,132	8,223,851
Gross Profit		1,292,513	1,654,399	3,516,952	4,015,487	3,589,728
Operating Profit		622,775	879,450	2,036,923	2,202,317	2,017,805
Non-Operating Income and Expenses		12,267	11,041	169,614	202,914	180,416
Pre-tax Income		635,042	890,491	2,206,537	2,405,231	2,198,221
Net Income for Continuing Operations		513,547	720,824	1,807,379	2,037,966	1,852,738
Loss from discontinued operations		—	—	—	—	—
Net Income		513,547	720,824	1,807,379	2,037,966	1,852,738
Other Comprehensive Profit and Loss (after Tax)		(95,644)	(22,551)	(64,658)	(157,509)	81,004
Comprehensive Income		417,903	698,273	1,742,721	1,880,457	1,933,742
Profit Attributable to Owners of the Parent Company		516,250	712,226	1,794,899	2,016,129	1,838,792
Non-controlling interest		(2,703)	8,598	12,480	21,837	13,946
Shareholder's Equity Attributable to Parent Company		420,634	689,962	1,729,759	1,858,766	1,919,801
Non-controlling interest		(2,731)	8,311	12,962	21,691	13,941
Earnings per Share		6.90	8.23	17.79	17.02	15.69

Data source: The Consolidated Financial Statements approved by the CPAs.

D. Independent auditors' names and their audit opinions for the past five years

(1) Independent auditors' names and their audit opinions for the past five years

Year	Name of CPA Firm	Name of CPA	Auditor's Opinions
2016	PricewaterhouseCoopers Taiwan	Ping-Chun Chih, Kuo-Hua Wang	No Special Opinions
2017	PricewaterhouseCoopers Taiwan	Ming-Chuan Hsu, Kuo-Hua Wang	No Special Opinions
2018	PricewaterhouseCoopers Taiwan	Ming-Chuan Hsu, Kuo-Hua Wang	No Special Opinions
2019	PricewaterhouseCoopers Taiwan	Ming-Chuan Hsu, Kuo-Hua Wang	No Special Opinions
2020	PricewaterhouseCoopers Taiwan	Ming-Chuan Hsu, Ping-Chun Chih	No Special Opinions

2 The reason for the change of accountants in the past five years: The certified accountants for the company's financial report were formerly Ping-Chun Chih and Kuo-Hua Wang from PricewaterhouseCoopers Taiwan. From the first quarter of 2017, to meet the needs of the firm's internal rotation, accountants Ming-Chuan Hsu and Kuo-Hua Wang were responsible for approval. From the first quarter of 2020, to meet the needs of the firm's internal rotation, it was changed to Xu Mingchuan, Accountant Zhi Bingjun is responsible for approval.

## 2. Financial Analysis within the Last 5 Years

### A. Financial Analysis within the Last 5 Years (in compliance with International Financial Reporting Standards, IFRSs)

#### (1) Individual Financial Statements

Analysis Item		Year	Financial Analysis within the Last 5 Years				
			2016	2017	2018	2019	2020
Financial Structure (%)	Liabilities to Assets Ratio		23.08	23.00	33.45	31.25	31.51
	Long-term Fund to Property, Plant, and Equipment Ratio		311.51	262.61	399.66	401.63	251.35
Liquidity (%)	Current Ratio		152.19	117.04	129.33	95.46	61.44
	Quick Ratio		118.74	77.99	101.06	63.38	47.81
	Interest Coverage Ratio		276.20	286.92	416.24	548.98	160.67
Operating Performance	Accounts Receivable Turnover (Times)		8.17	9.55	8.53	8.25	8.73
	Average Collection Days		45	38	43	44	42
	Inventory Turnover (Times)		7.02	7.01	9.15	6.94	6.66
	Accounts Payable Turnover (Times)		5.25	4.27	3.91	3.68	4.52
	Average days Sales		52	52	40	53	55
	Property, Plant, and Equipment (Times)		2.26	2.11	3.51	3.68	2.49
	Total Asset Turnover (Times)		0.59	0.60	0.78	0.67	0.57
Profitability	Return on Assets (%)		16.26	17.86	27.67	21.28	17.34
	Return on Equity (%)		20.65	23.17	39.41	31.36	25.13
	Ratio to paid-in capital (%)	Operating Profit	(4.62)	7.92	21.79	81.88	111.39
		Pretax Income	68.69	84.98	185.87	185.99	175.70
	Net Income Margin		27.66	29.73	35.26	31.84	30.30
Cash Flow	Earnings per Share (NT\$) (Note 1)		4.54	6.23	15.48	17.02	15.69
	Cash Flow Ratio (%)		54.22	39.84	43.83	53.52	40.70
	Cash Flow Adequacy Ratio(%)		45.65	41.99	63.05	65.08	69.34
	Cash Flow Investment Ratio (%)		7.92	5.24	12.35	9.58	4.31
Leverage	Operating Leverage		(1.34)	2.52	2.47	1.17	1.30
	Financial Leverage		0.95	1.04	1.02	1.00	1.01
Explain the reasons for the changes in the financial ratios in the last two years: <ol style="list-style-type: none"> <li>1. The ratio of long-term funds to real estate, plant and equipment: Mainly due to the conversion of corporate bonds payable to current liabilities in the current period</li> <li>2. Current ratio, quick ratio and cash flow ratio: Mainly due to the use of more short-term borrowings during the current period and the conversion of corporate bonds payable to current liabilities</li> <li>3. Interest coverage ratio: Mainly due to the increase in financial costs due to the use of more short-term loans in the current period</li> <li>4. Operating profit as a percentage of paid-in capital: The main reason is that the revenue of the current period continues to grow and the profit is good</li> </ol>							

Data source: The Financial Statements approved by the CPAs.

## (2) Consolidated Financial Analysis

Analysis Item		Year	Financial Analysis within the Last 5 Years				
			2016	2017	2018	2019	2020
Financial Structure(%)	Liabilities to Assets Ratio		28.70	29.38	43.92	33.44	36.58
	Long-term Fund to Property, Plant, and Equipment Ratio		227.27	211.31	325.31	306.98	204.42
Liquidity (%)	Current Ratio		243.39	222.47	180.30	201.28	161.30
	Quick Ratio		192.76	180.48	142.01	157.92	142.16
	Interest Coverage Ratio		154.69	339.72	464.27	484.56	162.96
Operating Performance	Accounts Receivable Turnover (Times)		16.36	12.91	16.41	16.58	13.19
	Average Collection Days		22	28	22	22	28
	Inventory Turnover (Times)		4.98	5.45	5.18	4.64	5.35
	Accounts Payable Turnover (Times)		6.40	5.47	4.33	4.37	5.46
	Average sales days		73	67	70	79	68
	Property, Plant, and Equipment Turnover(Times)		2.65	2.74	4.49	4.33	2.65
	Total Asset Turnover (Times)		0.88	0.93	1.07	0.91	0.72
Profitability	Return on Assets (%)		14.63	16.54	23.95	19.34	16.35
	Return on Equity (%)		22.86	23.25	39.35	31.41	25.04
	Ratio to paid-in capital (%)	Operating Profit Pre-tax Income	82.54 84.17	101.07 102.34	198.52 215.05	184.11 201.08	170.68 185.94
	Net Income Margin (%)		16.51	17.70	22.32	21.30	22.53
	Earnings per share (NT\$) (Note 1)		4.54	6.23	15.48	17.02	15.69
Cash Flow	Cash Flow Ratio (%)		91.73	79.81	87.56	46.82	62.64
	Cash Flow Adequacy Ratio(%)		96.10	100.82	131.66	113.46	120.61
	Cash Flow Adequacy (%)		23.87	22.17	48.46	9.04	19.45
Leverage	Operating Leverage		1.21	1.18	1.12	1.14	1.19
	Financial Leverage		1.01	1.00	1.00	1.00	1.01
The reasons for changes in various financial ratios in the last two years:							
<ol style="list-style-type: none"> <li>1. The ratio of long-term funds to real estate, plant and equipment: mainly due to the conversion of corporate bonds payable in the current period into current liabilities.</li> <li>2. Current ratio and quick ratio: Mainly due to the use of more short-term loans in the current period and the conversion of corporate bonds payable to current liabilities.</li> <li>3. Interest coverage ratio: Mainly due to the increase in financial costs due to the use of more short-term loans in the current period.</li> <li>4. Cash flow ratio: Mainly due to the use of more short-term borrowings and the conversion of corporate bonds payable to current liabilities in the current period, and the proper control of cash flow.</li> </ol>							

Data source: The Consolidated Financial Statements approved by the CPAs.

Note 1: It is based on the weighted average number of foreign shares in the current year, and retrospectively adjusts the number of foreign shares in the previous year as the weighted average circulation of the treasury shares due to the surplus of capital increase and the holding of the company's shares.

Note 2 : Formulas for the above tables :

1. Financial Structure

(1) Liabilities to Assets Ratio = Total Liabilities / Total Assets.

(2) Long-term Fund to Property, Plant, and Equipment Ratio = (Total Equity + Noncurrent Liabilities) / Property, Plant, and Equipment

2. Liquidity Analysis

(1) Current Ratio = Current Assets / Current Liabilities.

(2) Quick Ratio = (Current Assets – Inventory - Prepaid Expenses) / Current Liabilities.

(3) Interest Coverage Ratio = Income before Interest and Taxes / Interest Expense

3. Operating Performance Analysis

(1) Accounts Receivable Turnover (Times) = Net Revenue / Average Accounts Receivable

(2) Average Collection Days = 365 / Accounts Receivable Turnover (Times).

(3) Inventory Turnover (Times) = Cost of Sales / Average Inventory

- (4)Accounts Payable Turnover = Cost of Sales / Average Account Payable
- (5)Average Days Sales = 365 / Inventory Turnover (Times)
- (6)Property, Plant, and Equipment Turnover(Times) = Net Revenue / Average Net Property, Plant, and Equipment
- (7)Total Asset Turnover = Net Revenue / Average Total Assets.

#### 4. Profitability Analysis

- (1)Return on Assets =  $\left[ \text{Net Income} + \text{Interext} \times (1 - \text{Tax Rate}) \right] / \text{Average Assets}$
- (2)Return on Equity = Net Income / Average Equity
- (3)Net Income Margin = Net Income / Net Revenue
- (4)Earnings per Share = (Shareholder's Equity Attributable to Parent Company - Preferred Stock Dividends) / Weighted Average Outstanding Shares (Note 4)

#### 5. Cash Flow

- (1)Cash Flow Ratio = Net Cash Flow From Operating Activities / Current Liabilities
- (2)Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the past 5 years / (Capital Expenditure + Increases in Inventory + Cash Dividends for the past 5 years)
- (3) Cash Flow Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Property, Plant, and Equipment + Long-term Investments + Current Assets + Working Capital)

#### 6. Leverage

- (1)Operating Leverage = (Net Revenue - Variable Operating Costs and Expenses) / Operating Profit
- (2)Financial Leverage = Operating Porfit / (Operating Profit - Interest Expense)

### 3. Audit Committee's Review Report for the most recent financial year

## 2020 Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Financial Statements. The CPAs of PwC Taiwan, Ming-Chuan Hsu and Kuo-Hua Wang, were retained to audit TCI's Financial Statements. The Business Report, Financial Statements, and earning allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of TCI Co., Ltd. According to relevant requirements of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To

2021 Annual Shareholders' Meeting of TCI Co., Ltd.

TCI Co., Ltd.

Chairman of the Audit Committee:

Sung-Yuan Liao



March 8, 2021

- 4. Financial Statements of the most recent year: Please refer to pp. 156 - 237.**
- 5. The consolidated financial statements of the parent and subsidiary audited by the CPA in the most recent year: Please refer to pp. 238 - 311.**
- 6. Financial difficulties, if any, encountered by the Company and its affiliated companies in the most recent year and up to the publication of the annual report, and its impact on the Company's financial status: None.**



## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 1. Financial Conditions

#### A. Consolidated Balance Sheet Analysis

Unit : NT\$1,000

Item	Year	2020	2019	Difference	
				Amount	%
Current Assets		6,944,855	6,300,355	644,500	10%
Financial Assets at Fair Value through Profit or Loss		25,848	25,848	-	0%
Available-for-sale Financial Assets		-	-	-	-
Property, Plant, and Equipment		3,714,190	2,488,439	1,225,751	49%
Intangible Assets		22,239	31,196	-8,957	-29%
Other Assets		1,257,726	1,982,780	-725,054	-37%
Total Assets		11,964,858	10,828,618	1,136,240	10%
Current Liabilities		4,305,496	3,130,132	1,175,364	38%
Long-Term Liabilities		3,980	431,389	-427,409	-99%
Other Liabilities		66,979	59,596	7,383	12%
Total Liabilities		4,376,455	3,621,117	755,338	21%
Paid-in Capital		1,182,202	1,196,172	-13,970	-1%
Capital Surplus		2,618,432	2,600,733	17,699	1%
Legal Reserve		598,016	396,403	201,613	51%
Special Reserve		325,709	168,346	157,363	93%
Retained Earnings		3,259,603	3,192,547	67,056	2%
Other Equity Interests		-257,069	-421,126	164,057	-39%
Shareholder's Equity Attributable to Parent Company		7,500,036	7,133,075	366,961	5%
Total Equity		7,588,403	7,207,501	380,902	5%
Recently, the annual change has reached more than 20%, and the amount of change has reached NT\$10 million or more:					
(1) Real estate, plant and equipment: The continuous expansion of the production lines in this period					
(2) Other assets: Due to the increase in pre-paid new plant construction and equipment					
(3) Current liabilities: Mainly due to the use of more short-term loans in the current period and the conversion of corporate bonds payable to current liabilities					
(4) Long-term liabilities: mainly due to the conversion of corporate debt payable to current liabilities					
(5) Statutory surplus reserve: due to the increase in net profit for the current period					
(6) Special surplus reserve: Mainly due to the conversion of the conversion difference of the previous year's foreign operating agency's financial statements in accordance with the law					
Future Response Plan: The above changes have no significant impact on the Company.					

## 2. Financial Performance

### A. Analysis of Financial Status

Unit: NT\$1,000

Item	Year	2020	2019	Increased or Decreased Amount	Changed Ratio (%)
Operating Revenue		8,223,851	9,566,132	(1,342,281)	-14%
Operating Costs		(4,634,123)	(5,550,645)	916,522	-17%
Gross Profit		3,589,728	4,015,487	(425,759)	-11%
Operating Expenses		(1,571,923)	(1,813,170)	241,247	-13%
Operating Income		2,017,805	2,202,317	(184,512)	-8%
Non-operating income		193,137	221,774	(28,637)	-13%
Other Gains and Losses		852	(13,886)	14,738	-106%
Financial Costs		(13,573)	(4,974)	(8,599)	173%
Non-Operating Income and Expenses		180,416	202,914	(22,498)	-11%
Pre-tax Income		2,198,221	2,405,231	(207,010)	-9%
Income Tax Expenses		(345,483)	(367,265)	21,782	-6%
Net Income		1,852,738	2,037,966	(185,228)	-9%
Recently, the annual change has reached more than 20%, and the amount of change has reached NT\$10 million or more:					
(1) Decrease in other benefits and losses: Mainly due to proper exchange control during the current period.					
(2) Increase in financial costs: mainly due to the use of more short-term loans in the current period					

### 2. Expected sales volume and its basis, possible impact on the Company's future financial business and response plan

In response to COVID-19, the Company has been proactively developing new immunity-boosting products and selling them to countries all over the world. And based on the needs of existing and potential customers as well as the new product development plan and consumer demand in various countries in the world, the company's group production capacity is ensured to match the operating goals. In addition to continuing to develop more effective and competitive raw materials, the Company has spared no effort in developing the "Single Unit, Digital Printing" technology to increase the diversity of its products. In terms of business expansion, in addition to continuing to actively expand the markets in Europe, America and China, the Company will also strengthen the development of the Russian and Australian markets with its full line of products (capsules, tablets, powders, drinks, etc.) and the Chunghua market with its special products (drinks, masks, etc.), and develop the global market. It is expected that the benefits from economies of scale will appear. In addition, the company will appropriately use financial leverage to reduce operating costs and establish trust and mutual benefits with banks to improve financial performance.

### 3.Cash Flow

#### A. Liquidity Analysis within the last 2 years

Unit: NT\$1,000

Item	Year	2020	2019	Increased or Decreased Amount	Change (%)
Cash Inflow (Outflow) from Operating Activities		2,696,766	1,465,502	1,231,264	84%
Cash Inflow (Outflow) from Investment Activities		-943,979	-1,423,551	479,572	-34%
Cash Inflow (Outflow) from Financing Activities		-832,500	-523,895	-308,605	59%
Liquidity Analysis:					
(1) Cash Inflow from Operating Activities: This period was due to the decrease in inventory and income tax payments, and the increase in contract liabilities, accounts payable and bills payable					
(2) Cash outflow from investment activities: Mainly due to the large investment in the new plant in the early stage					
(3) Net cash outflow from financing activities: Mainly due to the distribution of cash dividends and the purchase of treasury shares during the current period					

#### B. Plans to Improve Negative Liquidity: None

#### C. Projected Consolidated cash for 2020

Cash Balance, Beginning of the Year	Forecast Net Cash Inflow from operating Activities	Forecast Net Cash Outflow from financial activities	Cash Balance, End of the Year	Forecast Cash Balance (Deficit)	Source of Funding for Negative Cash Balance	
					Investment Plan	Financing Plan
4,856,361	4,000,000	(2,000,000)	(1,500,000)	5,356,361	—	—
1. Analysis of changes in cash flow in the coming year: Business activity: Net cash inflow due to stable profit. Investment activities: mainly to purchase cash outflows from real estate, plant and equipment. Fundraising activities: mainly paying shareholders' cash dividends.						
2. Remedial measures and liquidity analysis for estimated cash shortfalls: Not applicable.						

4. The effect of major capital expenditure on finance in the most recent year: None.

5. Recent year's investment policy, the main reason for its profit or loss, improvement plan and investment plan for the next year

#### A. Recent annual transfer policy

In response to the development of global customers, the company's reinvestment strategy is to expand overseas markets and dig into major countries to increase overseas revenue and market shares.

B. The root causes for the profit/loss gained from the investment in the most recent year and the improvement plans  
The Company's 2020 reinvestment income is NT\$ 669,481, 000, which is mainly due to the stability of the Chinese market and the stable growth of overseas subsidiary sales.

C. Investment plan for the next year: None.

## 6. Risk Analysis and Evaluation

### A. Interest rates, exchange rates, and inflation, their impact on the Company's profit or loss, and future countermeasures.

#### (1) Effect of interest rate changes

The financial costs of the Company for 2019 and 2020 were NT\$ 4,974, 000 and NT\$ 4,763,000 respectively, accounting for 0.23% and 0.67% of the net operating profit, respectively; the Company has maintained good relations with banks to obtain preferential interest rates and is always available. The Company has been observing changes in the financial market interest rate and adjusting the use of funds in a timely manner, and the interest rate changes have not had a significant impact on the Company's profit and loss.

Unit : NT\$ 1,000

Item	2019	2020
Financial Cost	4,974	13,573
Operating Profit	2,202,317	2,017,805
Ratio between the Financial Cost and the Operating Profit	0.23%	0.67%

Data source: The 2020 Financial Statements approved by the CPAs

#### (2) Effect of currency exchange rates

The Company's 2019 and 2020 exchange (loss) gains were (9,879) and 1,639 thousand, respectively, accounting for (0.10%) and 0.02% of operating revenue. In addition to the sales expenses of the same currency, the Company supports the purchase expenses and then achieves the natural hedging function. For those holding more foreign currency, it adopts the safe-haven measures for buying and selling forward foreign exchange, and pays close attention to the information on exchange rate fluctuations. Real-time understanding of exchange rate trends, timely adjustment of foreign currency assets and liabilities based on the global economy, exchange rate prices and future capital needs, in order to mitigate the impact of exchange rate fluctuations on the Company's revenue and profit.

Unit: NT\$1,000

Item	2019	2020
Net Exchange Loss/Profit	(9,879)	1,639
Operating Revenue	9,566,132	8,223,851
Ratio between the Net Exchange Loss/Profit and the Operating Revenue	(0.10%)	0.02%

Data source: The 2020 Financial Statements approved by the CPAs.

### (3) Effect of inflation

In recent years, due to the impact of rising global raw materials, the overall economic environment has shown a slight inflation trend, but the Company has not yet had a significant impact on profit and loss due to inflation. In addition to paying close attention to fluctuations in market prices and maintaining good interaction with customers and suppliers, the Company should appropriately adjust the price of products and the inventory of raw materials, which should effectively reduce the impact of inflation on the Company.

B. Engage in the policies of high-risk, highly-leveraged investments, loaning of funds, endorsements and guarantees, and derivative transactions, the reasons for profit or loss, and the future countermeasures.

- (1) The Company has not engaged in high-risk and highly leveraged investments based on the principle of conservative and sound.
- (2) The Company's procedures for engaging in loans and others are handled in accordance with the "Measures for the Management of Funds and Others" set by the Company. The Company has not been able to lend money to others in the most recent year and up to the date of the annual report.
- (3) The Company's procedures for endorsement guarantees for others are handled in accordance with the "Endorsement Guarantee Management Measures" set by the Company.
- (4) The Company is engaged in the use of forward foreign exchange and option transactions for derivative financial products. If other commodities are required, they must be approved by the Board of Directors before they can be traded. The Company has not engaged in derivative financial products in the most recent year and up to the date of publication of the annual report.

### C. Future R&D Plans and the Projected R&D Investment

The Company expects that the amount of R&D expenses will be gradually arranged according to the R&D unit's R&D new products and new technology development progress, in order to support future R&D plans; the Company's estimated R&D expenses are based on the Company's "Budget Management Measures" before the end of each year. The R&D unit estimates the scale of manpower requirements and the R&D plan, and estimates the estimated investment in R&D. In 2019, it is estimated to invest NT\$ 700,000,000 in R&D expenses. The main factors affecting the R&D project in the future are the research and development capabilities of the R&D team and the development and design of its own star products for the needs of customers. In the future, the Company will continue to cultivate excellent R&D talents and actively invest in R&D resources to respond to the changing market pulsations and improve its competitiveness.

### D. The impact of significant changes in domestic and foreign policies and law on the Company's financial operations and the countermeasures

The implementation of the Company's various businesses is handled in accordance with the laws and regulations of the competent authorities, and pay attention to the important policy development trends and regulatory changes at home and abroad, and provide management with timely reference as a strategy to fully grasp and respond to changes in the market environment. In the most recent year and the end of the annual report, the Company has not been affected by important policies and laws at home and abroad and has affected the financial business.

### E. The impact of technological changes and industrial changes on the company's financial business and corresponding measures

The company always pays attention to the development and changes of industry-related technology, has an understanding of market trends, evaluates its impact on company operations, and invests considerable research and development funds and manpower to take measures such as developing new products, improving product quality, and reducing production costs. In the most recent year and as of the publication date of the annual report, the company has not been affected by technological changes and industrial changes that have affected its financial business.

### F. The impact of changes in corporate image on the crisis management of the Company and the countermeasures

Since the establishment of the Company, the Company adheres to the business tenet of stable and honest, actively strengthens internal management and maintains harmonious labor relations, in order to establish a good corporate image, and after planning to develop into the capital market, it can absorb more talents to enter the Company's services. With the strength of the management team, it will be quite

positive for the Company's image. In the most recent year and up to the date of publication of the annual report, there is no such thing as affecting the corporate image of the Company.

G. The expect benefit of initiating acquisition, the possible risks, and the countermeasures

The company publicly acquired Maxigen Biotech INC. in March 2021, integrating R&D energy, professional technology and sales channels and other resources of both parties for complementary benefits. In the future, TCI will focus on the biotechnology industry, including health care, medical materials, pharmaceuticals, pets, etc., with a focused diversification strategy, and seek like-minded partners in the United States, Japan and other parts of the world to build the future Taiwan Biotechnology Alliance to serve global customers.

H. The expected benefits of a plant expansion, the possible, and the countermeasures

Although the expansion of the plant has risks such as fundraising, technology acquisition, talent cultivation and market changes, the expansion of the Company's plant has undergone the evaluation process of complete, prudent and dedicated units, and has fully considered the investment recovery benefits and possible risks.

I. Risks faced by the centralized purchase or sales and the countermeasures

(1) Risks faced by the centralized purchase and the countermeasures

The main purchase items of the Company are related raw materials of various health foods and skin care products. In the most recent year and up to the date of publication of the annual report, there is no concentration of the purchase of a single supplier. The Company maintains long-term good cooperative relations with various suppliers, and the source of supply is still stable. There is no shortage of production operations due to shortage of supply. In the future, with the continuous development of new products, the Company will gradually increase the source of supply to ensure the supply of capacity is innocent.

(2) Risks faced by the centralized sales and the countermeasures

The Company's main sales target is the brand of well-known health food and skin care products at home and abroad. In the most recent year and up to the date of publication of the annual report, there is no single customer's proportion of sales of goods. It is obvious that customers are still scattered, but the Company also continues Actively develop new customers, so the risk of sales of goods to the Company is limited.

J. The impact of the massive equity transfer or exchange by the directors, supervisors, or shareholders holding more than 10% shareholding on the Company, the risk, and the countermeasures : None.

K. The impact of the changes in the ownership on the Company, the risk, and the countermeasures : None.

L. Litigation and non-litigation events

- (1) For litigation or non-litigation events, the closed or in-pending material litigation, non-litigation, or administrative contentious events in the most recent year and up to the publication of the annual report, which may have a significant impact on the shareholder's equity or security price, of the Company, the Company's directors, supervisors, President, responsible person, shareholders holding more than 10% shareholding, and the subsidiaries should be illustrated : None.
- (2) The Company's directors, supervisors, general managers, substantive principals, major shareholders and subordinate companies with a shareholding ratio of more than 10%, and the most recent major lawsuits that have been determined or are still in the system, In the case of a non-litigation or administrative dispute, the result may have a significant impact on the shareholders' equity or the price of the securities. The facts of the dispute, the amount of the subject matter, the commencement date of the lawsuit, the parties involved in the proceedings and the date of publication of the annual report shall be disclosed: None.

M. Other Important Risks and Countermeasures :

Information Security Risk Management (ISRI):

The Company has long been committed to the implementation of information security and personal data protection management, and has a clear and strict internal control system for internal construction, which specifies the clear division and implementation of the functions and responsibilities of the information management department.

Taking system program development as an example, detailed system development or program modification should be handled after approval by the competent authority, and the acceptance should be checked and signed by the relevant department. In the internal file permission section, all personnel are set according to the authority of each department. When the personnel change is confirmed, the information management department immediately changes its various rights; when leaving the Company, the information management department immediately cancels its various rights, and each person is required to 6 months need to change the password to improve the security control. The system and files operated by the Company have established a complete backup mechanism, and a detailed system recovery plan and backup system has been established. In addition, on the personal information equipment, in addition to the unified installation of antivirus software for prevention, the Company does not open the self-installation software. All software installations require the approval of the department head, and the information department evaluates the risk-free installation.



The Company adopts the best security technology for customer privacy and trade secret protection. TCI strictly abides by the client contract content and confidentiality commitments. The information, documents and materials related to customers and with trade secrets are uploaded to the authority control mechanism. The internal system is strictly regulated, and the account registration system must be used. The application can be accessed through the application and the documents are approved by the central department supervisor to enhance the confidentiality of customer information. In terms of trading behavior, all data transmission is based on the protection of 128-bit key encryption to ensure that the transaction information of both parties has no external doubts.

7. Other Important Items : None.

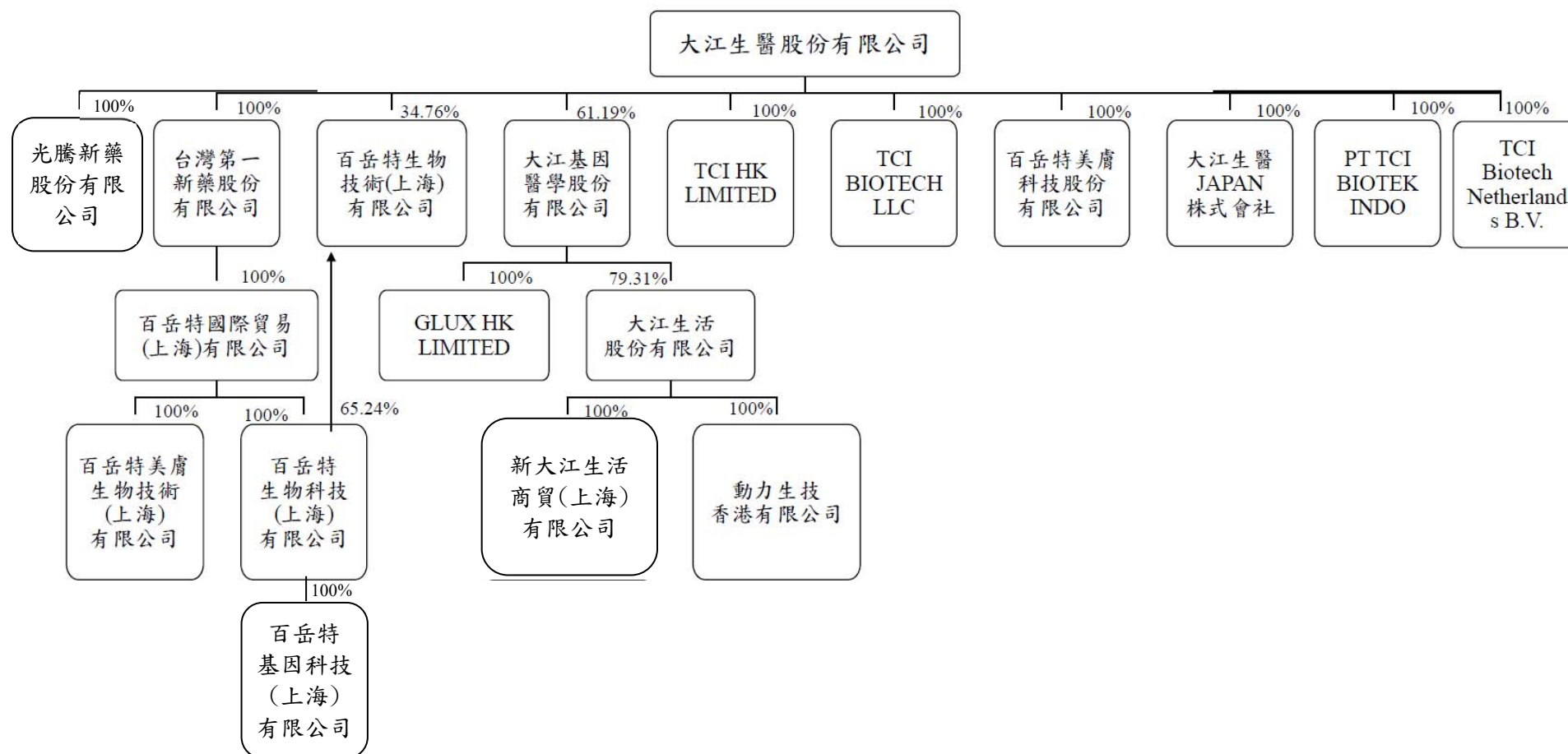
## VIII. Annotations

### I. Information of the Company's Affiliates

#### A. Overview

##### (1) Organizational Chart

May 1, 2021



## B. Affiliates' Profile

December 31, 2020

Unit: NT\$ / RMB / US\$ / HK\$

Name	Date of Establishment	Address	Paid-in Capital	Business Scope
TCI Firstek Corp.	2004/11/9	8F,No.187,Kang Chien Rd.,Nei Hu Dist., Taipei 114,TAIWAN,R.O.C.	NT\$ 2,382,969,000	Wholesale and retail of health food and beauty products
BioTrade, Shanghai BioTech Group	2005/9/20	No. 100 Yutong Road, Shanghai, China	US\$ 510,000	Wholesale of health food, cosmetics and chemical products; entrusted processing business of cosmetics
BioScience, Shanghai BioTech Group	2011/9/1	No. 100 Yutong Road, Shanghai, China	RMB 6,000,000	Wholesale of health food, cosmetics and chemical products; entrusted processing business of cosmetics
Shanghai BioCosme Co., Ltd.	2012/12/12	District 2, No. 9, Lane 285, Tiangong Road, Jinshan Industrial Zone, Shanghai,China	RMB 33,000,000	Cosmetics manufacturing
BioCosme, Shanghai BioTech Group	2018/7/31	10F,No.185,Kang Chien Rd.,Nei Hu Dist., Taipei 114,TAIWAN,R.O.C.	NT\$5,000,000	Health food and beauty care trade
TCI Gene Inc	2011/7/13	8F,No.189,Kang Chien Rd.,Nei Hu Dist., Taipei 114,TAIWAN,R.O.C.	NT\$155,925,000	Biotechnology and genetic research and development
GLUX HK LIMITED	2013/1/15	Room 1607, East Beauty Center, 43 Queen's Road East, Wanchai, Hong Kong	US\$1,000,000	Health food and beauty care trade
TCI Living Co., Ltd.	2014/11/03	10F,No.185, Kang Chien Rd.,Nei Hu Dist., Taipei 114,TAIWAN,R.O.C.	NT\$34,800,000	Health food and beauty care trade
SBI GROUP HK LIMITED	2016/1/18	UNIT 2305 APEC PLAZA 49 HOI YUEN RD KWUN TONG, HONG KONG, China	HKD1,400,000	Health food and beauty care trade
BioFunction, Shanghai BioTech Group	2012/5/22	District 24, Building 1, No.888 Yuegong Road, Jinshan Industrial Zone, Shanghai,China	RMB 256,447,000	Functional beverage manufacturing
BioGene Sanghai BioTech Group	2019/1/10	16th Floor, No. 127, Guotong Road, Yangpu District, Shanghai	RMB 10,000,000	Biotechnology and genetic research and development
TCI HK LIMITED	2013/1/15	Room 1607, East Beauty Center, 43 Queen's Road East, Wanchai, Hong Kong, China	US\$ 700,000	Health food and beauty care trade
TCI BIOTECH LLC	2017/9/26	615Arapeen Drive, in the City of Salt Lake, County of Salt Lake, State of Utah.	US\$300,000	Health food and beauty care trade
PT TCI BIOTEK INDO	2018/9/13	GRAND SLIPI TOWER LANTAI 9 UNIT G, JIN. LETJEN S. PARMAN KAV. 22-24 RT 001 RW 004 KEL. PALMERAH KEC.PALMERAH KOTA ADMINISTRASI JAKARTA BARAT	(Note 1)	Health food and beauty care trade

Name	Date of Establishment	Address	Paid-in Capital	Business Scope
TCI JAPAN CO., LTD.	2018/11/6	19F, Nakanoshima Sentoraturawa, 2-2-7Nakanoshima Kita-ku, Osaka-shi, Osaka-fu 530-0005, Japan	JPY 55,000,000	Health food and beauty care trade
TCI Biotech Netherlands B.V.	2019/11/22	Wilhelminakade 173, 3072AP Rotterdam	Health food and beauty care trade	Health food and beauty care trade
TCI LIVING Co., Ltd. (Shanghai)	2020/7/10	Room 406, No. 1, Lane 285, Tiangong Road, Jinshan Industrial Zone, Shanghai, China	US\$100,000	Health food and beauty care trade
Quantum Biology Inc.	2020/11/23	1st Floor, No. 500, Section 2, Diding Avenue, Zhongshan District, Taipei City, TAIWAN, R.O.C.	NT\$30,000,000	Biotechnological research and development and services

Note 1: As of December 31, 2020, no capital has been invested.

C. The same shareholder information of those who are presumed to have control and subordination: no such situation.

D. Industries covered by the overall business operations of the enterprise

The industries operated by the Company and its affiliated companies are mainly OEM of health food and maintenance products, and some of the affiliated companies are involved in genetic testing and their own brand of household products. In general, related companies support each other's production capacity, technology and services to create maximum synergy.

E. Affiliated Company's Director, Supervisor, and President

December 31, 2020

Name	Title	Person or Representative	Shareholding	
			Share	%
TCI Firstek Corp.	Chairman-cum-General Manager	Yung-Hsiang Lin	0	0.00%
	Director	Yi-Chun Liu	0	0.00%
	Director	Hsiu-Wei Lin	0	0.00%
	Supervisor	Chen-Chen Fu	0	0.00%
BioTrade, Shanghai BioTech Group	Chairman	Yung-Hsiang Lin	0	0.00%
	Director	Yung-Hao Lin	0	0.00%
	Director	Chih-Cheng Tsai	0	0.00%
BioScience, Shanghai BioTech Group	Executive Director-cum-General Manager	Yung-Hsiang Lin	0	0.00%
	Supervisor	Yi-Chun Liu	0	0.00%
Shanghai BioCosme Co., Ltd.	Executive Director	Yung-Hao Lin	0	0.00%
	Supervisor	Yi-Chun Liu	0	0.00%
BioGene, Shanghai BioTech Group	Executive Director	Yung-Hsiang Lin	0	0.00%
	Supervisor	Yi-Chun Liu	0	0.00%
TCI Gene Inc.	Chairman-cum-General Manager	Yung-Hsiang Lin	742,500	4.76%
	Director	Yung-Hao Lin	0	0.00%
	Director	Ching-Ting Chen	0	0.00%
	Supervisor	Chen-Chen Fu	0	0.00%

Name	Title	Person or Representative	Shareholding	
			Share	%
BioFunction, Shanghai BioTech Group	Chairman	Yung-Hsiang Lin	0	0.00%
	Director	Yung-Hao Lin	0	0.00%
	Director	Chih-Cheng Tsai	0	0.00%
	Supervisor	Yi-Chun Liu	0	0.00%
BioCosme, Shanghai BioTech Group	Chairman-cum-General Manager	Yung-Hsiang Lin	0	0.00%
	Director	Yung-Hao Lin	0	0.00%
	Director	Chih-Cheng Tsai	0	0.00%
	Supervisor	Yi-Chun Liu	0	0.00%
TCI Living Co., Ltd.	Chairman	Yung-Hsiang Lin	0	0.00%
	Director	Jui-Han Chang	0	0.00%
	Director	Yen-Jen Chen	0	0.00%
	Supervisor	Chen-Chen Fu	0	0.00%
GLUX HK LIMITED	Director	Yung-Hsiang Lin	0	0.00%
TCI HK LIMITED	Director	Yung-Hsiang Lin	0	0.00%
TCI JAPAN CO., LTD.	Director	Yung-Hsiang Lin	0	0.00%
TCI Biotech Netherlands B.V.	Director	Yung-Hsiang Lin	0	0.00%
PT TCI BIOTEK INDO	Director	Hsien-Cheng Chiang	0	0.00%
TCI LIVING Co., Ltd. (Shanghai)	Director	Yung-Hsiang Lin	0	0.00%
Quantum Biology Inc.	Chairman	Yung-Hsiang Lin	0	0.00%
	Director	Chia-Chi Li	0	0.00%
	Director	Tung-Wei Li	0	0.00%
	Supervisor	Chen-Chen Fu	0	0.00%

## 6. Affiliated Company's Operating Results

December 31, 2020

Unit: NT\$ 1,000

Name	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit	Profit and loss for the period (after tax)	Earnings per share (after tax)
TCI Firstek Corp.	2,382,969	3,397,254	25,988	3,371,266	10,808	(8,706)	435,916	0.18
BioTrade, Shanghai BioTech Group	15,955	3,780,402	384,157	3,396,245	2,426,639	3,077	444,661	Note 2
BioFunction, Shanghai BioTech Group	26,262	3,212,175	64,411	3,147,764	92,759	(19,983)	407,606	Note 2
BioCosme, Shanghai BioTech Group	144,441	216,414	30,167	186,247	162,228	33,730	35,499	Note 22
TCI Gene Inc.	155,925	244,685	36,781	207,904	104,688	48,666	35,746	0.23
BioFunction, Shanghai BioTech Group	1,122,469	4,673,348	684,293	3,989,055	3,447,419	547,400	602,592	Note 2
TCI HK LIMITED	21,046	20,164	6,623	13,541	-	(848)	503	Note 2
GLUX HK LIMITED	47,410	1,131	688	443	-	463	556	Note 2
TCI BIOTECH LLC	8,778	288,856	276,623	12,233	569,745	9,067	9,161	Note 2
Shanghai BioCosme Co., Ltd.	5,000	5,006	-	5,006	-	-	-	-

Name	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit	Profit and loss for the period (after tax)	Earnings per share (after tax)
BioGene, Shanghai BioTech Group	43,770	44,652	49	44,603	-	(1)	438	Note 2
TCI JAPAN CO., LTD.	15,626	84,452	58,195	26,257	140,969	8,065	5,157	Note 2
PT TCI BIOTEK INDO	註 1	149	57	92	18	10	10	Note 2
TCI Biotech Netherlands B.V.	3,367	4,701	5,827	(1,126)	-	(4,459)	(4,459)	Note 2
TCI LIVING Co., Ltd.	34,800	98,291	61,172	37,119	88,789	(25)	352	0.01
SBI GROUP HK LIMITED	5,847	4,859	1,024	3,835	7	-	3	Note 2
Tung Li Biotech (Shanghai) Co., Ltd. (動立生物科技(上海)有限公司)	32,200	5,822	-	5,822	-	-	-	Note 2
TCI LIVING Co., Ltd. (Shanghai)	2,939	2,639	51	2,588	-	(346)	(439)	Note 2
Quantum Biology Inc.	30,000	32,891	6,050	26,841	-	(3,160)	(3,159)	(0.11)

Note 1: As of December 31, 2020, no capital has been invested.

Note 2: It is a limited company, so it is not applicable.

(2) Business report of merger of related companies: Not applicable.

(3) Affiliated company consolidated financial statements: The companies that should be included in the preparation of the consolidated financial statements of the affiliated companies are the same as the companies that should be included in the preparation of the consolidated financial statements of the parent company and subsidiary companies.

(4) Affiliation reports: not applicable

**2. The status of issuing private placement securities in the most recent year and up to the publication of the annual report : None.**

**3. Acquisition or disposal of the Company's stock shares by subsidiaries in the most recent year and up to the publication of the annual report : None.**

**4. Other necessary supplementary notes : None.**

**IX. The occurrence of any events as stated in Section 3 Paragraph 2 in Article 36 of the Securities Exchange Act and had significant impact on shareholders' equity or securities prices in the most recent year and up to the publication of the annual report : None.**

## Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of TCI CO., LTD. (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2020 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of TCI CO., LTD. and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. Additionally, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, TCI CO., LTD. does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

TCI CO., LTD.

By

LIN, YUNG-HSIANG, Chairman

March 8, 2021

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of TCI CO., LTD.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of TCI CO., LTD. and subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.



Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

**Existence and occurrence of top ten customers**

Description

The Group's sales revenue arises mainly from manufacturing and sales of health foods and cosmetics. Customers are mostly direct marketing companies in Europe and Asia and cosmetic companies.

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

Please refer to Note 4(30) for accounting policies on revenue recognition and Note 6(21) for details of sales revenue.

How our audit addressed the matter

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

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

## **Allowance for inventory valuation losses**

### Description

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

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

Please refer to Note 4(13) for accounting policy on inventory valuation and Note 6(4) for details of allowance for inventory valuation losses.

### How our audit addressed the matter

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

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

## ***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of TCI CO., LTD. as at and for the years ended December 31, 2020 and 2019.

## ***Responsibilities of management and those charged with governance for the consolidated financial statements***

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

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

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

## ***Auditors' responsibilities for the audit of the consolidated financial statements***

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
  3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
  5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
- We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

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

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

Hsu, Ming-Chuan      Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 2021

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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 independent auditors' report 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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TCI CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 4,856,361	41	\$ 3,848,194	36
1110	Financial assets at fair value through profit or loss - current	6(12)	135,402	1	-	-
1136	Current financial assets at amortised cost	6(1) and 8	395,803	3	433,490	4
1150	Notes receivable, net	6(3)	15,669	-	5,840	-
1170	Accounts receivable, net	6(3)	619,844	5	601,553	6
1180	Accounts receivable - related parties	7	2,605	-	1,610	-
1200	Other receivables		56,952	1	18,500	-
1220	Current income tax assets	6(28)	2,281	-	3,807	-
130X	Inventories	6(4)	649,244	5	1,084,323	10
1410	Prepayments	6(5)	174,754	2	273,066	2
1470	Other current assets		35,940	-	29,972	-
11XX	Total current assets		6,944,855	58	6,300,355	58
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	25,848	-	25,848	-
1550	Investments accounted for using equity method	6(6)	1,900	-	-	-
1600	Property, plant and equipment	6(7)	3,714,190	31	2,488,439	23
1755	Right-of-use assets	6(8)	113,026	1	110,857	1
1780	Intangible assets	6(9)	22,239	-	31,196	-
1840	Deferred income tax assets	6(28)	59,758	1	34,199	1
1900	Other non-current assets	6(10) and 8	1,083,042	9	1,837,724	17
15XX	Total non-current assets		5,020,003	42	4,528,263	42
1XXX	Total assets		\$ 11,964,858	100	\$ 10,828,618	100

(Continued)

TCI CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 1,076,334	9	\$ 200,000	2
2130	Current contract liabilities	6(21)	653,708	5	579,789	5
2150	Notes payable		1,944	-	3,115	-
2170	Accounts payable		728,508	6	920,869	9
2180	Accounts payable - related parties	7	12,309	-	29,278	-
2200	Other payables	6(13)	855,157	7	1,083,081	10
2230	Current income tax liabilities	6(28)	456,175	4	238,430	2
2280	Current lease liabilities		30,635	-	38,499	1
2320	Long-term liabilities, current portion	6(14)	434,268	4	-	-
2399	Other current liabilities, others		56,458	1	37,071	-
21XX	Total current liabilities		4,305,496	36	3,130,132	29
Non-current liabilities						
2530	Corporate bonds payable	6(14)	-	-	431,389	4
2540	Long-term borrowings		3,980	-	-	-
2570	Deferred income tax liabilities	6(28)	441	-	3,030	-
2580	Non-current lease liabilities		54,666	1	44,888	-
2600	Other non-current liabilities		11,872	-	11,678	-
25XX	Total non-current liabilities		70,959	1	490,985	4
2XXX	Total liabilities		4,376,455	37	3,621,117	33
Equity attributable to owners of parent						
	Share capital	6(17)				
3110	Share capital - common stock		1,182,202	10	1,196,172	11
	Capital surplus	6(18)				
3200	Capital surplus		2,618,432	21	2,600,733	24
	Retained earnings	6(19)				
3310	Legal reserve		598,016	5	396,403	4
3320	Special reserve		325,709	3	168,346	2
3350	Unappropriated retained earnings		3,259,603	27	3,192,547	29
	Other equity interest	6(20)				
3400	Other equity interest		( 257,069)	( 2)	( 421,126)	( 4)
3500	Treasury shares	6(17)	( 226,857)	( 2)	-	-
31XX	Equity attributable to owners of the parent		7,500,036	62	7,133,075	66
36XX	Non-controlling interest		88,367	1	74,426	1
3XXX	Total equity		7,588,403	63	7,207,501	67
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		\$ 11,964,858	100	\$ 10,828,618	100

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

**TCI CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

			Years ended December 31			
			2020		2019	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21)	\$ 8,223,851	100	\$ 9,566,132	100
5000	Operating costs	6(4)(15)(26)(27)	( 4,634,123)	( 56)	( 5,550,645)	( 58)
5900	Net operating margin		<u>3,589,728</u>	<u>44</u>	<u>4,015,487</u>	<u>42</u>
	Operating expenses	6(15)(26)(27)				
6100	Selling expenses		( 504,761)	( 6)	( 606,357)	( 7)
6200	General and administrative expenses		( 591,352)	( 7)	( 693,796)	( 7)
6300	Research and development expenses		( 497,208)	( 6)	( 510,846)	( 5)
6450	Expected credit impairment loss		<u>21,398</u>	<u>-</u>	<u>( 2,171)</u>	<u>-</u>
6000	Total operating expenses		( 1,571,923)	( 19)	( 1,813,170)	( 19)
6900	Operating profit		<u>2,017,805</u>	<u>25</u>	<u>2,202,317</u>	<u>23</u>
	Non-operating income and expenses					
7100	Interest income	6(22)	74,914	1	59,772	-
7010	Other income	6(23)	118,223	1	162,002	2
7020	Other gains and losses	6(24)	852	-	( 13,886)	-
7050	Finance costs	6(25)	( 13,573)	-	( 4,974)	-
7000	Total non-operating income and expenses		<u>180,416</u>	<u>2</u>	<u>202,914</u>	<u>2</u>
7900	Profit before income tax		<u>2,198,221</u>	<u>27</u>	<u>2,405,231</u>	<u>25</u>
7950	Income tax expense	6(28)	( 345,483)	( 4)	( 367,265)	( 4)
8200	Profit for the year		<u>\$ 1,852,738</u>	<u>23</u>	<u>\$ 2,037,966</u>	<u>21</u>
	Other comprehensive income					
	Other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(20)	<u>\$ 81,004</u>	<u>1</u>	<u>( \$ 157,509)</u>	<u>( 1)</u>
8300	Total other comprehensive income (loss) for the year		<u>\$ 81,004</u>	<u>1</u>	<u>( \$ 157,509)</u>	<u>( 1)</u>
8500	Total comprehensive income for the year		<u>\$ 1,933,742</u>	<u>24</u>	<u>\$ 1,880,457</u>	<u>20</u>
	Profit attributable to:					
8610	Owners of the parent		<u>\$ 1,838,792</u>	<u>23</u>	<u>\$ 2,016,129</u>	<u>21</u>
8620	Non-controlling interest		<u>13,946</u>	<u>-</u>	<u>21,837</u>	<u>-</u>
			<u>\$ 1,852,738</u>	<u>23</u>	<u>\$ 2,037,966</u>	<u>21</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		<u>\$ 1,919,801</u>	<u>24</u>	<u>\$ 1,858,766</u>	<u>20</u>
8720	Non-controlling interest		<u>13,941</u>	<u>-</u>	<u>21,691</u>	<u>-</u>
			<u>\$ 1,933,742</u>	<u>24</u>	<u>\$ 1,880,457</u>	<u>20</u>
	Basic earnings per share (In dollars)	6(29)				
9750	Basic earnings per share		<u>\$ 15.69</u>		<u>\$ 17.02</u>	
9850	Diluted earnings per share		<u>\$ 15.37</u>		<u>\$ 16.63</u>	

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



TCI CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent												
		Share capital		Retained earnings			Other equity interest							
			Advance receipts for share capital	Capital surplus, additional paid-in capital				Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Other equity – unearned employee compensation	Treasury shares	Total	Non-controlling interest	Total equity
Notes		Share capital - common stock			Legal reserve	Special reserve	Unappropriated retained earnings							
<u>For the year ended December 31, 2019</u>														
		\$ 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
		-	-	-	-	-	2,016,129	-	-	-	-	2,016,129	21,837	2,037,966
		-	-	-	-	-	-	( 157,363 )	-	-	-	( 157,363 )	( 146 )	( 157,509 )
	6(20)	-	-	-	-	-	2,016,129	( 157,363 )	-	-	-	1,858,766	21,691	1,880,457
Appropriations of 2018 earnings														
		-	-	-	179,490	-	( 179,490 )	-	-	-	-	-	-	-
		-	-	-	-	47,980	( 47,980 )	-	-	-	-	-	-	-
		153,911	-	-	-	-	( 153,911 )	-	-	-	-	-	-	-
		-	-	-	-	-	( 718,253 )	-	-	-	-	( 718,253 )	-	( 718,253 )
Exercise of employee stock purchase plans														
		5,890	( 420 )	31,180	-	-	-	-	-	-	-	36,650	-	36,650
Conversion of convertible bonds into shares														
	6(14)(17)	5,180	( 3,335 )	64,207	-	-	-	-	-	-	-	66,052	-	66,052
Share-based payments														
	6(16)(17)(20)	8,870	-	248,475	-	-	-	-	-	( 90,992 )	-	166,353	-	166,353
Adjustment not proportionately to shareholding ratio														
		-	-	-	-	-	( 379 )	-	-	-	-	( 379 )	379	-
Increase in non-controlling interests														
		-	-	-	-	-	-	-	-	-	-	-	7,200	7,200
Balance at December 31, 2019														
		\$ 1,196,172	\$ -	\$ 2,600,733	\$ 396,403	\$ 168,346	\$ 3,192,547	(\$ 314,133 )	(\$ 11,576 )	(\$ 95,417 )	\$ -	\$ 7,133,075	\$ 74,426	\$ 7,207,501

(Continued)

TCI CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent											Non-controlling interest	Total equity
		Share capital			Retained earnings			Other equity interest						
		Notes	Share capital - common stock	Advance receipts for share capital	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	Other equity – unearned employee compensation	Treasury shares		
<u>For the year ended December 31, 2020</u>														
		\$ 1,196,172	\$ -	\$ 2,600,733	\$ 396,403	\$ 168,346	\$ 3,192,547	(\$ 314,133 )	(\$ 11,576 )	(\$ 95,417 )	\$ -	\$ 7,133,075	\$ 74,426	\$ 7,207,501
		-	-	-	-	-	1,838,792	-	-	-	-	1,838,792	13,946	1,852,738
		-	-	-	-	-	-	81,009	-	-	-	81,009	( 5 )	81,004
	6(20)	-	-	-	-	-	1,838,792	81,009	-	-	-	1,919,801	13,941	1,933,742
Appropriations of 2019 earnings														
		-	-	-	201,613	-	( 201,613 )	-	-	-	-	-	-	-
		-	-	-	-	157,363	( 157,363 )	-	-	-	-	-	-	-
		-	-	-	-	-	( 1,040,622 )	-	-	-	-	( 1,040,622 )	-	( 1,040,622 )
		6,250	-	29,856	-	-	-	-	-	-	-	36,106	-	36,106
	6(16)(20)	-	-	33,743	-	-	-	-	-	83,048	-	116,791	-	116,791
	6(17)	( 220 )	-	-	-	-	-	-	-	-	-	( 220 )	-	( 220 )
	6(17)	-	-	-	-	-	-	-	-	-	( 664,895 )	( 664,895 )	-	( 664,895 )
	6(17)	( 20,000 )	-	( 45,900 )	-	-	( 372,138 )	-	-	-	438,038	-	-	-
		\$ 1,182,202	\$ -	\$ 2,618,432	\$ 598,016	\$ 325,709	\$ 3,259,603	(\$ 233,124 )	(\$ 11,576 )	(\$ 12,369 )	(\$ 226,857 )	\$ 7,500,036	\$ 88,367	\$ 7,588,403

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

TCI CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 2,198,221	\$ 2,405,231
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment (gain) loss	12(2)	( 21,398 )	2,171
Net gain on financial assets at fair value through profit or loss	6(12)(24)	( 509 )	( 125 )
Loss on disposal of property, plant and equipment	6(24)	222	3,657
Depreciation	6(7)(8)(26)	320,315	255,118
Amortisation	6(9)(26)	16,908	14,223
Interest income	6(22)	( 74,914 )	( 59,772 )
Dividend income	6(23)	( 149 )	( 242 )
Interest expense	6(25)	13,573	4,974
Compensation cost arising from employee stock options	6(16)(27)	116,791	157,483
Profit from lease modification	6(8)(24)	( 42 )	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		( 9,829 )	19,076
Accounts receivable		3,107	( 78,833 )
Accounts receivable - related parties		( 995 )	( 1,610 )
Other receivables		( 38,452 )	19,586
Inventories		435,079	203,496
Prepayments		98,312	( 47,234 )
Other current assets		( 5,968 )	13,657
Changes in operating liabilities			
Contract liabilities - current		73,919	( 649,852 )
Notes payable		( 1,171 )	( 250,086 )
Accounts payable		( 192,361 )	( 417,504 )
Accounts payable - related parties		( 16,969 )	29,278
Other payables		( 147,374 )	213,683
Other current liabilities		19,387	( 23,792 )
Cash inflow generated from operations		2,785,703	1,812,583
Interest received		74,914	59,968
Dividends received		149	242
Interest paid		( 9,557 )	( 441 )
Income tax paid		( 154,443 )	( 406,850 )
Net cash flows from operating activities		2,696,766	1,465,502

(Continued)

TCI CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

		Years ended December 31	
	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(31)	( \$ 119,394 )	( \$ 273,429 )
Proceeds from disposal of property, plant and equipment		416	3,446
Increase in refundable deposits	6(10)	( 5,389 )	( 7,211 )
Acquisition of intangible assets	6(9)	( 7,948 )	( 15,563 )
Net cash flows from business combination	6(30)	-	498
(Increase) decrease in other non-current assets		( 15,004 )	5,779
Acquisition of financial assets at fair value through profit or loss		( 134,893 )	-
Decrease in financial assets at amortised cost		37,687	214,950
Increase in investments accounted for under the equity method		( 1,900 )	-
Increase in prepayments for purchase of equipment		( 697,554 )	( 1,352,021 )
Net cash flows used in investing activities		( 943,979 )	( 1,423,551 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings		3,987,970	650,000
Repayments of short-term borrowings		( 3,115,909 )	( 462,000 )
Proceeds from long-term borrowings		3,980	-
Increase (decrease) in guarantee deposits		194	( 4 )
Employee stock options		36,106	36,650
Lease liabilities paid	6(8)	( 39,104 )	( 39,158 )
Cash dividends paid		( 1,040,622 )	( 718,253 )
Proceeds from issuance of restricted stock	6(16)	-	8,870
Acquisition of treasury shares	6(17)	( 664,895 )	-
Unvested redeemed stocks from restricted stocks to employees	6(17)	( 220 )	-
Net cash flows used in financing activities		( 832,500 )	( 523,895 )
Exchange rate effect		87,880	( 87,407 )
Net increase (decrease) in cash and cash equivalents		1,008,167	( 569,351 )
Cash and cash equivalents at beginning of year	6(1)	3,848,194	4,417,545
Cash and cash equivalents at end of year	6(1)	<u>\$ 4,856,361</u>	<u>\$ 3,848,194</u>

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

TCI CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

(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 authorised for issuance by the Board of Directors on March 8, 2021.

**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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 is allowed by FSC.

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

**(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 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2'	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.

(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 3, 'Reference to the conceptual framework'	January 1, 2022
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, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018 - 2020	January 1, 2022

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 SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International

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

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
  - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Financial assets and liabilities at fair value through other comprehensive income.
  - (c) Liabilities on cash-settled share-based payment arrangements measured at fair value.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
  - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
  - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
  - (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All

amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
TCI CO., LTD.	TCI FIRSTEK CORP.	Wholesale and retail of health foods and cosmetics	100	100	Note 1
TCI CO., LTD.	GENE & NEXT INC.	Research and development of biotechnology and genetics	61.19	61.19	Note 1
TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	Producing health foods	34.76	34.76	Note 1
TCI CO., LTD.	TCI HK LIMITED	Trading health foods and cosmetics	100	100	Note 1
TCI FIRSTEK CORP.	SHANGHAI BIOTRADE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	100	100	Note 2
GENE & NEXT INC.	GLUX HK LIMITED	Trading health foods and cosmetics	100	100	Note 2



Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
SHANGHAI BIOTRADE CO., LTD.	SHANGHAI BIOSCIENCE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	100	100	Note 3
SHANGHAI BIOTRADE CO., LTD.	SHANGHAI BIOCOSME CO., LTD.	Producing cosmetics	100	100	Note 3
SHANGHAI BIOSCIENCE CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	Producing health foods	65.24	65.24	Note 1
TCI CO., LTD.	TCI BIOTECH LLC	Trading health foods and cosmetics	100	100	Note 1
TCI CO., LTD.	BIOCOSME CO., LTD.	Trading health foods and cosmetics	100	100	Note 1 Note 4
GENE & NEXT INC.	TCI LIVING CO., LTD.	Trading health foods and cosmetics	79.31	79.31	Note 2 Note 5 Note 6
TCI LIVING CO., LTD.	BIO DYNAMIC LABORATORIES INC.	Trading health foods and cosmetics	100	100	Note 3 Note 4 Note 7
TCI LIVING CO., LTD.	SBI GROUP HK LIMITED	Trading health foods and cosmetics	100	100	Note 3 Note 4 Note 7
TCI CO., LTD.	TCI JAPAN CO., LTD.	Trading health foods and cosmetics	100	100	Note 1
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	100	Note 3
TCI CO., LTD.	TCI BIOTECH NETHERLANDS B.V.	Trading health foods and cosmetics	100	100	Note 1 Note 5

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
TCI LIVING CO., LTD.	TCI LIVING SHANGHAI CO., LTD.	Trading health foods and cosmetics	100	-	Note 3 Note 9
TCI CO., LTD.	QUANTUM BIOLOGY INC.	Research and development of biotechnology	100	-	Note 1 Note 10

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

Note 5: The Board of Directors during its meeting on October 30, 2019 resolved to set up TCI BIOTECH NETHERLANDS B.V. and was established on November 22, 2019.

Note 6: The Board of Directors of the Group's second-tier subsidiary, TCI LIVING CO., LTD., during its meeting on June 26, 2019 resolved to merge with AQUAGEN CO., LTD. TCI LIVING CO., LTD. merged with AQUAGEN CO., LTD. by issuing new shares, and the effective date for the merger was December 1, 2019.

Note 7: BIO DYNAMIC LABORATORIES INC. was in the process of liquidation on November 2, 2019. However, the registration has not yet been completed.

Note 8: There was no capital injection as of December 31, 2020.

Note 9: The second-tier subsidiary, TCI LIVING CO., LTD., resolved to set up TCI LIVING SHANGHAI CO., LTD. and the establishment was completed on July 10, 2020.

Note 10: The Board of Directors during its meeting on October 28, 2020 resolved to invest and set up QUANTUM BIOLOGY INC. and was established on November 23, 2020.

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 \$3,992,474 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:

Information on subsidiaries that have non-controlling interests that are material to the Group is as follows:

Name of subsidiary	Principal place of business	Non-controlling interests			
		December 31, 2020		December 31, 2019	
		Amount	Ownership (%)	Amount	Ownership (%)
GENE & NEXT INC.	Taiwan	\$ 80,687	38.81	\$ 66,819	38.81

Summarised financial information of the subsidiaries:

Balance sheets

	GENE & NEXT INC.	
	December 31, 2020	December 31, 2019
Current assets	\$ 185,300	\$ 141,957
Non-current assets	59,385	60,018
Current liabilities	( 36,781)	( 29,803)
Total net assets	<u>\$ 207,904</u>	<u>\$ 172,172</u>

Statements of comprehensive income

	GENE & NEXT INC.	
	Years ended December 31,	
	2020	2019
Revenue	\$ 104,688	\$ 132,811
Profit before income tax	48,328	57,965
Income tax expense	( 12,582)	( 1,311)
Profit for the year	35,746	56,654
Other comprehensive loss, net of tax	( 14)	( 214)
Total comprehensive income for the year	<u>\$ 35,732</u>	<u>\$ 56,440</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 13,868</u>	<u>\$ 21,904</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

Statements of cash flows

	GENE & NEXT INC.	
	Years ended December 31,	
	2020	2019
Net cash provided by operating activities	\$ 17,796	\$ 84,579
Effect of exchange rate changes on cash and cash equivalents	( 14)	( 214)
Increase in cash and cash equivalents	17,782	84,365
Cash and cash equivalents at beginning of year	113,366	29,001
Cash and cash equivalents at end of year	<u>\$ 131,148</u>	<u>\$ 113,366</u>

#### (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) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (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 amortised cost are recognised and derecognised using trade date accounting.
- C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) 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.

(11) 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.

(12) 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.

(13) 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.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant



assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) 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

(16) 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.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(17) 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.

(18) Impairment of non-financial assets

- A. 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.
- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) 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.

(20) Notes and accounts payable

- A. Notes and 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.

(21) 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.

(22) 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’.

(23) Derecognition of financial liabilities

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

(24) Offsetting financial instruments

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

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs,

whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

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

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

(26) 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'.

(27) 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.

(28) Share capital

- A. 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.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects,

is included in equity attributable to the Company's equity holders.

(29) 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.

(30) 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.

(31) 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.

(32) 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 assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2020, the carrying amount of inventories was \$649,244.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and revolving funds	\$ 7,731	\$ 2,279
Checking accounts and demand deposits	4,790,386	2,207,918
Time deposits	455,047	2,071,987
	<u>5,253,164</u>	<u>4,282,184</u>
Less: Shown as 'current financial assets at amortised cost'	( 235,850)	( 433,490)
Less: Shown as 'current financial assets at amortised cost - pledged'	( 159,953)	-
Less: Shown as 'other non-current assets - pledged'	( 1,000)	( 500)
	<u>\$ 4,856,361</u>	<u>\$ 3,848,194</u>

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

B. As of December 31, 2020 and 2019, the Group recognised time deposits with maturity over 3 months of \$235,850 and \$433,490, 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	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Listed stocks	\$ 12,604	\$ 12,604
Unlisted stocks	24,820	24,820
	37,424	37,424
Valuation adjustment	( 11,576)	( 11,576)
	<u>\$ 25,848</u>	<u>\$ 25,848</u>

- 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 and \$25,848 as at December 31, 2020 and 2019, respectively.
- B. As of December 31, 2020 and 2019, 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 and \$25,848, respectively.
- C. The Group's financial assets at fair value through other comprehensive income were not pledge to others as collateral.
- D. 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

	December 31, 2020	December 31, 2019
Notes receivable	\$ 15,669	\$ 5,840
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 15,669</u>	<u>\$ 5,840</u>
Accounts receivable	\$ 654,036	\$ 657,270
Less: Allowance for uncollectible accounts	( 34,192)	( 55,717)
	<u>\$ 619,844</u>	<u>\$ 601,553</u>

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

	December 31, 2020	December 31, 2019
Not past due	\$ 546,238	\$ 414,171
Up to 30 days	33,945	100,158
31 to 90 days	51,289	70,130
Over 90 days	4,041	22,934
	<u>\$ 635,513</u>	<u>\$ 607,393</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2020 and 2019, 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 \$15,669 and \$5,840; \$619,844 and \$601,553, respectively.

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

(4) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 443,170	(\$ 19,592)	\$ 423,578
Work in progress	28,827	( 175)	28,652
Finished goods	213,389	( 16,375)	197,014
	<u>\$ 685,386</u>	<u>(\$ 36,142)</u>	<u>\$ 649,244</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 848,023	(\$ 30,939)	\$ 817,084
Work in progress	62,392	( 172)	62,220
Finished goods	218,082	( 13,063)	205,019
	<u>\$ 1,128,497</u>	<u>(\$ 44,174)</u>	<u>\$ 1,084,323</u>

A. The cost of inventories recognised as expense for the years ended December 31, 2020 and 2019, was \$4,634,123 and \$5,550,645, respectively, including the amounts of (\$8,032) and (\$35,473), 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 during the years ended December 31, 2020 and 2019.

(5) Prepayments

	December 31, 2020	December 31, 2019
Prepaid expenses	\$ 79,342	\$ 79,088
Prepayments to suppliers	61,761	112,520
Excess business tax paid (or Net Input VAT)	33,651	81,458
	<u>\$ 174,754</u>	<u>\$ 273,066</u>

(6) Investments accounted for using equity method

	2020	2019
At January 1	\$ -	\$ -
Addition of investments accounted for using equity method	1,900	-
At December 31	<u>\$ 1,900</u>	<u>\$ -</u>
	December 31, 2020	December 31, 2019
Associates	<u>\$ 1,900</u>	<u>\$ -</u>

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery	Office equipment	Others	Total
<u>At January 1, 2020</u>						
Cost	\$ 499,649	\$ 1,170,229	\$ 986,525	\$ 217,590	\$ 321,390	\$ 3,195,383
Accumulated depreciation	-	( 140,710)	( 313,740)	( 78,279)	( 174,215)	( 706,944)
	<u>\$ 499,649</u>	<u>\$ 1,029,519</u>	<u>\$ 672,785</u>	<u>\$ 139,311</u>	<u>\$ 147,175</u>	<u>\$ 2,488,439</u>
<u>2020</u>						
At January 1	\$ 499,649	\$ 1,029,519	\$ 672,785	\$ 139,311	\$ 147,175	\$ 2,488,439
Additions	-	587	17,740	6,278	14,239	38,844
Disposals	-	-	( 478)	( 152)	( 8)	( 638)
Reclassifications	164,152	883,275	332,749	38,721	42,160	1,461,057
Depreciation charge	-	( 56,426)	( 145,438)	( 23,796)	( 55,947)	( 281,607)
Net exchange differences	-	5,148	2,790	12	145	8,095
At December 31	<u>\$ 663,801</u>	<u>\$ 1,862,103</u>	<u>\$ 880,148</u>	<u>\$ 160,374</u>	<u>\$ 147,764</u>	<u>\$ 3,714,190</u>
<u>At December 31, 2020</u>						
Cost	\$ 663,801	\$ 2,060,416	\$ 1,340,350	\$ 260,831	\$ 378,397	\$ 4,703,795
Accumulated depreciation	-	( 198,313)	( 460,202)	( 100,457)	( 230,633)	( 989,605)
	<u>\$ 663,801</u>	<u>\$ 1,862,103</u>	<u>\$ 880,148</u>	<u>\$ 160,374</u>	<u>\$ 147,764</u>	<u>\$ 3,714,190</u>

	Land	Buildings and structures	Machinery	Office equipment	Others	Total
<u>At January 1, 2019</u>						
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)
	<u>\$ 159,301</u>	<u>\$ 1,016,857</u>	<u>\$ 478,605</u>	<u>\$ 146,157</u>	<u>\$ 124,456</u>	<u>\$ 1,925,376</u>
<u>2019</u>						
At January 1	\$ 159,301	\$ 1,016,857	\$ 478,605	\$ 146,157	\$ 124,456	\$ 1,925,376
Additions	201,305	45,275	57,424	3,479	12,235	319,718
Disposals	-	( 170)	( 6,179)	( 218)	( 536)	( 7,103)
Reclassifications	139,043	15,336	256,412	10,764	55,779	477,334
Depreciation charge	-	( 40,338)	( 110,185)	( 20,803)	( 43,974)	( 215,300)
Net exchange differences	-	( 7,441)	( 3,292)	( 68)	( 785)	( 11,586)
At December 31	<u>\$ 499,649</u>	<u>\$ 1,029,519</u>	<u>\$ 672,785</u>	<u>\$ 139,311</u>	<u>\$ 147,175</u>	<u>\$ 2,488,439</u>
<u>At December 31, 2019</u>						
Cost	\$ 499,649	\$ 1,170,229	\$ 986,525	\$ 217,590	\$ 321,390	\$ 3,195,383
Accumulated depreciation	-	( 140,710)	( 313,740)	( 78,279)	( 174,215)	( 706,944)
	<u>\$ 499,649</u>	<u>\$ 1,029,519</u>	<u>\$ 672,785</u>	<u>\$ 139,311</u>	<u>\$ 147,175</u>	<u>\$ 2,488,439</u>

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

(8) Leasing arrangements-lessee

- 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:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land	\$ 28,726	\$ 28,928
Buildings	83,636	80,237
Transportation equipment (Business vehicles)	664	1,692
	<u>\$ 113,026</u>	<u>\$ 110,857</u>
	Years ended December 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	\$ 671	\$ 700
Buildings	37,009	37,879
Transportation equipment (Business vehicles)	1,028	1,239
	<u>\$ 38,708</u>	<u>\$ 39,818</u>

- 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 years ended December 31, 2020 and 2019, the additions to right-of-use assets amounted to \$45,823 and \$21,244, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,137	\$ 1,543
Expense on short-term lease contracts	\$ 37,086	\$ 49,445
Expense on leases of low-value assets	\$ 9,028	\$ 16,369
Gain or loss on lease modification	\$ 42	\$ -

For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases amounted to \$85,218 and \$104,972, respectively.

(9) Intangible assets

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Software</u>	<u>Royalty</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2020</u>						
Cost	\$ 1,468	\$ 4,855	\$ 38,206	\$ 2,750	\$ 6,611	\$ 53,890
Accumulated amortisation	-	( 4)	( 19,618)	( 868)	( 2,204)	( 22,694)
	<u>\$ 1,468</u>	<u>\$ 4,851</u>	<u>\$ 18,588</u>	<u>\$ 1,882</u>	<u>\$ 4,407</u>	<u>\$ 31,196</u>
<u>2020</u>						
At January 1	\$ 1,468	\$ 4,851	\$ 18,588	\$ 1,882	\$ 4,407	\$ 31,196
Additions—						
acquired separately	-	-	7,948	-	-	7,948
Amortisation charge	-	( 546)	( 13,908)	( 250)	( 2,204)	( 16,908)
Net exchange differences	-	3	-	-	-	3
At December 31	<u>\$ 1,468</u>	<u>\$ 4,308</u>	<u>\$ 12,628</u>	<u>\$ 1,632</u>	<u>\$ 2,203</u>	<u>\$ 22,239</u>
<u>At December 31, 2020</u>						
Cost	\$ 1,468	\$ 4,860	\$ 41,199	\$ 2,600	\$ 6,611	\$ 56,738
Accumulated amortisation	-	( 552)	( 28,571)	( 968)	( 4,408)	( 34,499)
	<u>\$ 1,468</u>	<u>\$ 4,308</u>	<u>\$ 12,628</u>	<u>\$ 1,632</u>	<u>\$ 2,203</u>	<u>\$ 22,239</u>

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Software</u>	<u>Royalty</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2019</u>						
Cost	\$ 1,468	\$ 238	\$ 35,391	\$ 2,750	\$ 6,611	\$ 46,458
Accumulated amortisation	-	( 238)	( 20,475)	( 479)	-	( 21,192)
	<u>\$ 1,468</u>	<u>\$ -</u>	<u>\$ 14,916</u>	<u>\$ 2,271</u>	<u>\$ 6,611</u>	<u>\$ 25,266</u>
<u>2019</u>						
At January 1	\$ 1,468	\$ -	\$ 14,916	\$ 2,271	\$ 6,611	\$ 25,266
Acquired through business combinations	-	4,590	-	-	-	4,590
Additions —						
acquired separately	-	265	15,298	-	-	15,563
Amortisation charge	-	( 4)	( 11,626)	( 389)	( 2,204)	( 14,223)
At December 31	<u>\$ 1,468</u>	<u>\$ 4,851</u>	<u>\$ 18,588</u>	<u>\$ 1,882</u>	<u>\$ 4,407</u>	<u>\$ 31,196</u>
<u>At December 31, 2019</u>						
Cost	\$ 1,468	\$ 4,855	\$ 38,206	\$ 2,750	\$ 6,611	\$ 53,890
Accumulated amortisation	-	( 4)	( 19,618)	( 868)	( 2,204)	( 22,694)
	<u>\$ 1,468</u>	<u>\$ 4,851</u>	<u>\$ 18,588</u>	<u>\$ 1,882</u>	<u>\$ 4,407</u>	<u>\$ 31,196</u>

Details of amortisation on intangible assets are as follows:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Overhead	\$ 205	\$ 32
Selling expenses	3,217	2,321
Administrative expenses	10,947	11,423
Research and development expenses	<u>2,539</u>	<u>447</u>
	<u>\$ 16,908</u>	<u>\$ 14,223</u>

(10) Other non-current assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Prepayments for construction business facilities	\$ 1,012,177	\$ 1,796,961
Guarantee deposits paid	39,880	34,491
Pledged deposit	1,000	500
Other non-current assets	<u>29,985</u>	<u>5,772</u>
	<u>\$ 1,083,042</u>	<u>\$ 1,837,724</u>

(11) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 1,076,334	0.58%~2.80%	None
Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 200,000	1.07%	None

Interest expense recognised in profit or loss amounted to \$9,557 and \$396 for the years ended December 31, 2020 and 2019, respectively.

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

Items	December 31, 2020	December 31, 2019
Financial assets - current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 134,893	\$ -
Valuation adjustment	509	-
	<u>\$ 135,402</u>	<u>\$ -</u>
Financial liabilities - current items:		
Corporate bonds		
Call and put options of corporate bonds	\$ -	(\$ 261)
Valuation adjustment	-	261
	<u>\$ -</u>	<u>\$ -</u>

- A. The Group's financial assets at fair value through profit or loss were not pledged to others as collateral.
- B. Amount recognised in net gain in relation to investments in equity instruments was \$509 for the year ended December 31, 2020. The Group had no investments in equity instruments for the year ended December 31, 2019.
- C. Amounts recognised in net gain in relation to financial liabilities at fair value through profit or loss were \$0 and \$125 for the years ended December 31, 2020 and 2019, respectively.

(13) Other payables

	December 31, 2020	December 31, 2019
Salaries and bonuses payable	\$ 366,633	\$ 502,073
Employee bonus payable	281,081	275,580
Payable on machinery and equipment	29,873	110,423
Tax payables	10,165	44,396
Other payables	167,405	150,609
	<u>\$ 855,157</u>	<u>\$ 1,083,081</u>

(14) Bonds payable

	December 31, 2020	December 31, 2019
Bonds payable	\$ 435,400	\$ 435,400
Less: Discount on bonds payable	( 1,132)	( 4,011)
	434,268	431,389
Less: Current portion or exercise of put options	( 434,268)	-
	<u>\$ -</u>	<u>\$ 431,389</u>

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:

- (a) 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.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) 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.
- (f) 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. For the year ended December 31, 2020, there were no bonds converted into common shares.

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 IFRS 9 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%.

(15) Pensions

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

B. The Group’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2020 and 2019 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 years ended December 31, 2020 and 2019 were \$32,282 and \$46,500, respectively.

(16) Share-based payment

A. For the years ended December 31, 2020 and 2019, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Issuance 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%



Type of arrangement	Issuance date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	2016.07.20	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%
Restricted stocks to employees	2019.09.30	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:

Years ended December 31,				
		2020	2019	
		Weighted-average	Weighted-average	
		No. of exercise price	No. of exercise price	
		(in dollars)	(in dollars)	
		No. of options	No. of options	
Options outstanding at January 1	718	\$ 100	1,318	\$ 100
Options expired	( 44)	100	( 53)	100
Options exercised	( 625)	100	( 547)	100
Options outstanding at the end of the year	49	\$ 100	718	\$ 100
Options exercisable at the end of the year	49	\$ 100	22	\$ 100

Years ended December 31,				
		2020	2019	
		Weighted-average	Weighted-average	
		No. of exercise price	No. of exercise price	
		(in dollars)	(in dollars)	
		No. of options	No. of options	
Options outstanding at January 1	1,827	\$ 448	1,945	\$ 448
Options expired	( 135)	448	( 121)	448
Options outstanding at the end of the year	1,692	\$ 448	1,827	\$ 448
Options exercisable at the end of the year	717	\$ 448	-	\$ -

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2020 and 2019 was \$248.30 and \$395.18, respectively.

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

		December 31, 2020		December 31, 2019	
		No. of shares	Exercise price	No. of shares	Exercise price
Issue date approved	Expiry date	(in thousands)	(in dollars)	(in thousands)	(in dollars)
2016.07.01	2022.06.30	49	\$ 100	718	\$ 100
2018.05.15	2024.05.14	1,692	448	1,827	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	Issuance date	Stock price (in dollars)	Exercise price (in dollars)	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	1.50	-	0.605~ 0.719	\$ 41.55~ 45.10
Restricted stocks to employee	2016.07.20	\$ 139.00	\$ 10	32.73	-	-	0.52	\$ 111.65
Employee stock options	2018.05.15	\$ 440.00	\$ 448	26.10~ 30.25	3.37	-	0.5636~ 0.6814	\$ 63.16~ 106.15
Restricted stocks to employee	2019.09.30	\$ 282.00	\$ 10	-	0.25	-	-	\$ 272

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

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

	Years ended December 31,	
	2020	2019
Equity-settled	\$ 116,791	\$ 157,483

G. On June 26, 2019, the Company issued 900 thousand shares of employee restricted ordinary shares as approved by the regulatory authority. 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 the aforementioned details. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

#### (17) Share capital

A. As of December 31, 2020, the Company's authorised capital was \$2,000,000, and the paid-in capital was \$1,182,202, 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)

	2020		
	Private placement of ordinary share	Unrestricted shares	Total
At January 1	-	119,617	119,617
Employee stock options exercised	-	625	625
Restricted stocks to employee - stocks redeemed	- (	22)	( 22)
Retirement of treasury shares	- (	2,000)	( 2,000)
At December 31	-	118,220	118,220

	2019		
	Private placement of ordinary share	Unrestricted shares	Total
At January 1	-	102,232	102,232
Stock dividends	-	15,391	15,391
Conversion of corporate bonds	-	518	518
Employee stock options exercised (including restricted stocks to employee)	-	1,476	1,476
At December 31	-	119,617	119,617

B. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

Name of company holding the shares	Reason for reacquisition	December 31, 2020	
		Number of shares	Carrying amount
The Company	To be reissued to employees	1,016,000	\$ 226,857

There was no such transaction as of December 31, 2019.

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- C. To enhance the Company's credit rating and the stockholders' equity, on February 6, 2020, the Board of Directors of the Company during their meeting resolved to proceed with repurchasing of its own shares from the over-the-counter market in the amount of 2 million shares within 2 months from the reported date. On April 30, 2020, the Board of Directors of the Company resolved to retire all the repurchased shares. As of December 31, 2020, all the repurchased shares have been retired.

- D. To be reissued to employees, on March 23, 2020, the Board of Directors of the Company during their meeting resolved to proceed with repurchasing of its own shares from the over-the-counter market in the amount of 3 million shares within 2 months from the reported date. Treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the five-year period are to be retired. As of December 31, 2020, the Company has repurchased 1,016 thousand shares, considering the efficiency of capital utilisation and the employees' willingness to subscribe for the shares, the Company will not repurchase more shares.

(18) 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.

(19) 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 Order No. Financial-Supervisory-Securities-Corporate-

1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. On June 18, 2020, the shareholders at the shareholders' meeting approved the distribution of dividends from the 2019 earnings in the amount of \$1,040,622, with cash dividends of \$8.88 (in dollars) per share. On March 8, 2021, the Board of Directors of the Company approved the distribution of dividends from the 2020 earnings in the amount of \$1,040,755, with cash dividends of \$8.88 (in dollars) per share.

(20) Other equity items

	2020			
	Unrealized gains (losses) on valuation	Currency translation	Unearned employee compensation	Total
At January 1	(\$ 11,576)	(\$ 314,133)	(\$ 95,417)	(\$ 421,126)
Currency translation differences	-	81,009	-	81,009
Compensation cost of share-based payments	-	-	83,048	83,048
At December 31	<u>(\$ 11,576)</u>	<u>(\$ 233,124)</u>	<u>(\$ 12,369)</u>	<u>(\$ 257,069)</u>

	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	-	( 157,363)	-	( 157,363)
Compensation cost of share-based payments	-	-	( 90,992)	( 90,992)
At December 31	<u>(\$ 11,576)</u>	<u>(\$ 314,133)</u>	<u>(\$ 95,417)</u>	<u>(\$ 421,126)</u>

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 years ended December 31, 2020 and 2019 are all \$0.

(21) Operating revenue

	Years ended December 31,	
	2020	2019
Revenue from contracts with customers	<u>\$ 8,223,851</u>	<u>\$ 9,566,132</u>

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:

Year ended December 31, 2020	Europe and America region	Asia Pacific region	Total
Segment revenue	\$ 1,508,042	\$ 11,604,553	\$ 13,112,595
Inter-segment revenue	( 519,730)	( 4,369,014)	( 4,888,744)
Revenue from external customer contracts	<u>\$ 988,312</u>	<u>\$ 7,235,539</u>	<u>\$ 8,223,851</u>
Year ended December 31, 2019	Europe and America region	Asia Pacific region	Total
Segment revenue	\$ 574,117	\$ 14,649,168	\$ 15,223,285
Inter-segment revenue	( 147,825)	( 5,509,328)	( 5,657,153)
Revenue from external customer contracts	<u>\$ 426,292</u>	<u>\$ 9,139,840</u>	<u>\$ 9,566,132</u>

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

#### B. Contract assets and liabilities

As of December 31, 2020, December 31, 2019 and January 1, 2019, the Group has not recognized any revenue-related contract assets, while the Group has recognized contract liabilities below:

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities			
– advance sales receipts	<u>\$ 653,708</u>	<u>\$ 579,789</u>	<u>\$ 1,229,641</u>

(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:

	Years ended December 31,	
	2020	2019
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	<u>\$ 537,124</u>	<u>\$ 1,222,261</u>

#### (22) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits (Note)	<u>\$ 74,914</u>	<u>\$ 59,772</u>

Note: Including interest income from financial assets measured at amortised cost.

#### (23) Other income

	Years ended December 31,	
	2020	2019
Dividend income	\$ 149	\$ 242
Other income - others	<u>118,074</u>	<u>161,760</u>
	<u>\$ 118,223</u>	<u>\$ 162,002</u>

(24) Other gains and losses

	Years ended December 31,	
	2020	2019
Losses on disposal of property, plant and equipment	(\$ 222)	(\$ 3,657)
Gains arising from lease modifications	42	-
Foreign exchange gains (losses)	1,639	( 9,879)
Gains on financial assets (liabilities) at fair value through profit or loss	509	125
Miscellaneous disbursements	( 1,116)	( 475)
	<u>\$ 852</u>	<u>(\$ 13,886)</u>

(25) Finance costs

	Years ended December 31,	
	2020	2019
Interest expense		
Bank borrowings	\$ 9,557	\$ 396
Convertible bonds	2,879	3,035
Leases	1,137	1,543
	<u>\$ 13,573</u>	<u>\$ 4,974</u>

(26) Expenses by nature

	Years ended December 31,	
	2020	2019
Employee benefit expense	\$ 1,205,052	\$ 1,555,500
Depreciation charges on property, plant and equipment	320,315	255,118
Operating lease payments	46,114	65,814
Amortisation charges on intangible assets	16,908	14,223
	<u>\$ 1,588,389</u>	<u>\$ 1,890,655</u>

(27) Employee benefit expense

	Years ended December 31,	
	2020	2019
Wages and salaries	\$ 919,665	\$ 1,206,625
Employee stock options (Note)	116,791	157,483
Labour and health insurance fees	81,289	82,520
Pension costs	32,282	46,500
Other personnel expenses	55,025	62,372
	<u>\$ 1,205,052</u>	<u>\$ 1,555,500</u>

Note: It was equity-settled.

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of



the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 5%~15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$163,401 and \$175,019, respectively; while directors' and supervisors' remuneration was accrued at \$4,200 and \$4,200, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 5%~15% and not be higher than 3% of distributable profit of current year for the year ended December 31, 2020. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$163,401 and \$4,200, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2019 as resolved by the Board of Directors were \$175,019 and \$4,200, respectively, and the employees' compensation was 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.

(28) Income tax

A. Income tax expense

Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 429,784	\$ 417,555
Tax on undistributed surplus earnings	30,827	35,242
Effect from investment tax credits	( 30,827)	( 36,463)
Prior year income tax overestimation	( 51,955)	( 52,129)
Total current tax	<u>377,829</u>	<u>364,205</u>
Deferred tax:		
Origination and reversal of temporary differences	( 28,148)	17,078
Prior year deferred tax asset underestimation	( 4,198)	( 14,018)
Total deferred tax	<u>( 32,346)</u>	<u>3,060</u>
Income tax expense	<u>\$ 345,483</u>	<u>\$ 367,265</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 408,265	\$ 428,858
Effect from items not recognised in accordance with tax regulation	( 9,463)	( 2,307)
Effect from investment tax credits	( 30,827)	( 36,463)
Tax on undistributed earnings	30,827	35,242
Prior year income tax overestimation	( 51,955)	( 52,129)
Change in assessment of realization of deferred tax assets	( 4,198)	( 14,018)
Taxable loss not recognised as deferred tax assets	<u>2,834</u>	<u>8,082</u>
Income tax expense	<u>\$ 345,483</u>	<u>\$ 367,265</u>

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

2020			
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Allowance for obsolescence and decline in market value of inventories	\$ 6,991	(\$ 757)	\$ 6,234
Unrealised exchange loss	-	638	638
Unrealised gross profit	27,208	25,678	52,886
	<u>\$ 34,199</u>	<u>\$ 25,559</u>	<u>\$ 59,758</u>
-Deferred tax liabilities:			
Unrealised exchange gain	(\$ 2,149)	\$ 2,149	\$ -
Others	( 881)	440	( 441)
	<u>(\$ 3,030)</u>	<u>\$ 2,589</u>	<u>(\$ 441)</u>
	<u>\$ 31,169</u>	<u>\$ 28,148</u>	<u>\$ 59,317</u>
2019			
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Allowance for obsolescence and decline in market value of inventories	\$ 14,104	(\$ 7,113)	\$ 6,991
Unrealised gross profit	37,083	( 9,875)	27,208
	<u>\$ 51,187</u>	<u>(\$ 16,988)</u>	<u>\$ 34,199</u>
-Deferred tax liabilities:			
Unrealised exchange gain	(\$ 1,618)	(\$ 531)	(\$ 2,149)
Others	( 1,322)	441	( 881)
	<u>(\$ 2,940)</u>	<u>(\$ 90)</u>	<u>(\$ 3,030)</u>
	<u>\$ 48,247</u>	<u>(\$ 17,078)</u>	<u>\$ 31,169</u>

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

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 11,488</u>	<u>\$ 52,411</u>

E. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(29) Earnings per share

Year ended December 31, 2020			
	Amount after	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
	tax		
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 1,838,792	117,226	\$ 15.69
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,838,792		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	905	1,440	
Employee stock options	-	41	
Employees' compensation	-	771	
Restricted stocks	-	228	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,839,697	119,706	\$ 15.37
Year ended December 31, 2019			
	Amount after	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
	tax		
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 2,016,129	118,441	\$ 17.02
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,016,129		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	3,209	1,400	
Employee stock options	-	929	
Employees' compensation	-	560	
Restricted stocks	-	91	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,019,338	121,421	\$ 16.63

Note : For the year ended December 31, 2019, the weighted average circulation of shares has been retrospectively adjusted to the number of shares of the Company's stock dividends in 2019.

(30) Business combination and transactions with non-controlling interest

- A. The Group's subsidiary, TCI LIVING CO., LTD., merged with AQUAGEN CO., LTD. by issuing 720 thousand new shares on December 1, 2019. TCI LIVING CO., LTD. was the surviving company while AQUAGEN CO., LTD. was the dissolved company. AQUAGEN CO., LTD. has a distributor brand and has a high market profile. TCI LIVING CO., LTD. is expected to integrate its resources and strengthen its product portfolio when the merger is completed.
- B. The following table summarises the consideration paid for AQUAGEN CO., LTD. and the fair values of the assets acquired and liabilities assumed at the acquisition date:

	<u>December 1, 2019</u>
Purchase consideration	
Equity instruments	\$ <u>7,200</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	498
Accounts receivable	4,842
Other current assets	53
Intangible assets	4,590
Accounts payable	( 2,783)
Total identifiable net assets	<u>7,200</u>
Goodwill	\$ <u>-</u>

- C. The fair value totaling \$7,200 of the 720 thousand ordinary shares issued as part of the consideration paid for AQUAGEN CO., LTD. was based on the appraisal report.
- D. The fair value of the acquired identifiable intangible assets was \$4,590.
- E. For the year ended December 31, 2019, the above transaction of TCI LIVING CO., LTD. which resulted to the effect of changes in interests in GENE & NEXT INC. on the equity attributable to owners of the parent is shown below:

	<u>Year ended December 31, 2019</u>
Equity instruments	\$ 7,200
Changes in the carrying amount of non-controlling interest	( 7,819)
Retained earnings - recognition of changes in ownership interest in subsidiaries	(\$ <u>619</u> )

The Company recognised effects to equity amounting to (\$379) based on 61.19% shareholding ratio in GENE & NEXT INC.

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 38,844	\$ 319,718
Add: Opening balance of payable on equipment	110,423	64,134
Less: Ending balance of payable on equipment	( 29,873)	( 110,423)
Cash paid during the year	<u>\$ 119,394</u>	<u>\$ 273,429</u>

B. Financing activities with no cash flow effects

	Years ended December 31,	
	2020	2019
Convertible bonds being converted to capital stocks	\$ -	\$ 66,052

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Daido Pharmaceutical Corporation	Other related party (The company's parent company is the Company's institutional shareholder)
SHANGHAI DYDO DRINCO, INC.	Other related party (The company's parent company is the Company's institutional shareholder)
PURE MILK CO., LTD.	Other related party (The Company is the company's institutional shareholder)
CHUN LING INTERNATIONAL CO., LTD.	Other related party (The second-tier company of the Company is the company's institutional shareholder)

(2) Significant related party transactions

A. Operating revenue:

	Years ended December 31,	
	2020	2019
Sales of goods:		
Other related parties	<u>\$ 3,996</u>	<u>\$ 12,021</u>

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

B. Purchases:

	Years ended December 31,	
	2020	2019
Purchase and processing fees:		
Other related parties	\$ 70,824	\$ 228,902

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. Receivables from related parties:

	December 31, 2020	December 31, 2019
Accounts receivable:		
Other related parties	\$ 2,605	\$ 1,610

D. Payables to related parties:

	December 31, 2020	December 31, 2019
Accounts payable:		
Other related parties	\$ 12,309	\$ 29,278

(3) Key management compensation

	Years ended December 31,	
	2020	2019
Salaries and other short-term employee benefits	\$ 128,258	\$ 104,627
Share-based payments	92,371	143,002
	\$ 220,629	\$ 247,629

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2020	December 31, 2019	Purpose
Property, plant and equipment	\$ 1,605,479	\$ 394,890	Short-term and long-term borrowings
Current financial assets at amortised cost	159,953	-	Short-term borrowings
Other non-current assets	1,000	500	Contract security deposit
	\$ 1,766,432	\$ 395,390	

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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	<u>\$ 286,153</u>	<u>\$ 568,807</u>

B. As of December 31, 2020 and 2019, the Group's total unused letters of credit was \$22,072 and \$25,685, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Company acquired ordinary shares of MAXIGEN BIOTECH INC. as resolved by the Board of Directors on March 8, 2021 in accordance with the Regulations Governing Public Tender Offers for Securities of Public Companies and related regulations in order to integrate the resources and strengthen the competitiveness of the two companies in the future.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 135,402	\$ -
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 25,848	\$ 25,848
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 4,856,361	\$ 3,848,194
Financial assets at amortised cost	395,803	433,490
Notes receivable	15,669	5,840
Accounts receivable	619,844	601,553
Accounts receivable-related parties	2,605	1,610
Other receivables	56,952	18,500
Guarantee deposits paid	39,880	34,491
Other financial assets	1,000	500
	\$ 5,988,114	\$ 4,944,178
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,076,334	\$ 200,000
Notes payable	1,944	3,115
Accounts payable	728,508	920,869
Accounts payable-related parties	12,309	29,278
Other accounts payable	855,157	1,083,081
Corporate bonds payable (including current portion)	434,268	431,389
Long-term borrowings (including current portion)	3,980	-
	\$ 3,112,500	\$ 2,667,732
Lease liability	\$ 85,301	\$ 83,387

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)		December 31, 2020		
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
RMB:NTD	RMB	163,837	4.3770	\$ 717,115
USD:NTD	USD	20,509	28.4800	584,096
EUR:NTD	EUR	4,287	35.0200	150,131
JPY:NTD	JPY	436,839	0.2763	120,699
<u>Financial liabilities</u>				
<u>Monetary items</u>				
RMB:NTD	RMB	73,866	4.3770	\$ 323,311
USD:NTD	USD	10,168	28.4800	289,585
JPY:NTD	JPY	467,516	0.2763	129,175
EUR:NTD	EUR	1,657	35.0200	58,028

		December 31, 2019		
(Foreign currency: functional currency)		Foreign currency		Book value
		amount (In thousands)	Exchange rate	(NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
RMB:NTD	RMB	211,671	4.3050	\$ 911,244
USD:NTD	USD	7,769	29.9800	232,915
JPY:NTD	JPY	525,748	0.2760	145,106
SGD:NTD	SGD	2,592	22.8000	59,098
<u>Financial liabilities</u>				
<u>Monetary items</u>				
RMB:NTD	RMB	45,139	4.3050	\$ 194,323
JPY:NTD	JPY	535,298	0.2760	147,742
USD:NTD	USD	2,038	29.9800	61,099
EUR:NTD	EUR	1,528	33.5900	51,326

iii. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted to \$1,639 and (\$9,879), respectively.

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

	Year ended December 31, 2020				
	Sensitivity analysis				
(Foreign currency: functional currency)	Degree of variation		Effect on profit or loss		Effect on other comprehensive income
<u>Financial assets</u>					
<u>Monetary items</u>					
RMB:NTD	1%	\$	7,171	\$	-
USD:NTD	"		5,841		-
EUR:NTD	"		1,501		-
JPY:NTD	"		1,207		-
<u>Financial liabilities</u>					
<u>Monetary items</u>					
RMB:NTD	1%	\$	3,233	\$	-
USD:NTD	"		2,896		-
JPY:NTD	"		1,292		-
EUR:NTD	"		580		-

(Foreign currency: functional currency)	Year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB:NTD	1%	\$ 9,112	\$ -
USD:NTD	"	2,329	-
JPY:NTD	"	1,451	-
SGD:NTD	"	591	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
JPY:NTD	1%	\$ 1,477	\$ -
RMB:NTD	"	1,943	-
EUR:NTD	"	513	-
USD:NTD	"	611	-

#### 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 or foreign 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, profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$1,354 and \$0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$258 and \$258, 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 and short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2020 and 2019, the Group's borrowings at variable rate were denominated in New Taiwan dollars and Chinese Renminbi.
- ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 0.1% with all other variables held constant, profit, net of tax for the years ended December 31, 2020 and 2019 would have increased/decreased by \$864 and \$160, 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. In accordance with the Group's credit risk management policies, the default occurs when the contract payments are past due over certain 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. As of December 31, 2020 and 2019, the loss rate methodology is as follows:

	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
<u>At December 31, 2020</u>					
Expected loss rate	0%~0.23%	0%~20.23%	0%~100%	100.00%	
Total book value	\$ 546,238	\$ 86,326	\$ 37,141	\$ -	\$ 669,705
Loss allowance	\$ -	\$ 1,092	\$ 33,100	\$ -	\$ 34,192
	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
<u>At December 31, 2019</u>					
Expected loss rate	0%~0.23%	0%~20.23%	0%~100%	100.00%	
Total book value	\$ 414,030	\$ 174,686	\$ 74,394	\$ -	\$ 663,110
Loss allowance	\$ -	\$ 4,257	\$ 51,460	\$ -	\$ 55,717

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

	2020	
	Accounts receivable	Notes receivable
At January 1	\$ 55,717	\$ -
Provision for impairment	8	-
Reversal of impairment	( 21,406)	-
Write-offs	( 8)	-
Effect of foreign exchange	( 119)	-
At December 31	<u>\$ 34,192</u>	<u>\$ -</u>
	2019	
	Accounts receivable	Notes receivable
At January 1	\$ 56,552	\$ -
Provision for impairment	2,171	-
Write-offs	( 2,165)	-
Effect of foreign exchange	( 841)	-
At December 31	<u>\$ 55,717</u>	<u>\$ -</u>

(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 December 31, 2020 and 2019, the Group has undrawn borrowing facilities of \$8,811,646 and \$1,932,077 respectively.
- iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	\$ 1,076,334	\$ -	\$ -
Notes payable	1,944	-	-
Accounts payable	740,817	-	-
(including related parties)			
Other payables	855,157	-	-
Lease liability	33,311	26,741	29,212
Guarantee deposits received	-	11,380	-
Long-term borrowings	-	-	3,980
(including current portion)			
Convertible bonds	439,820	-	-

Non-derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	\$ 200,000	\$ -	\$ -
Notes payable	3,115	-	-
Accounts payable	950,147	-	-
(including related parties)			
Other payables	1,083,081	-	-
Lease liability	39,413	18,008	28,191
Guarantee deposits received	-	11,193	-
Convertible bonds	-	439,820	-

(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:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 135,402	\$ -	\$ -	\$ 135,402
Financial assets at fair value through other comprehensive income				
Equity securities	<u>1,196</u>	<u>-</u>	<u>24,652</u>	<u>25,848</u>
	<u>\$ 136,598</u>	<u>\$ -</u>	<u>\$ 24,652</u>	<u>\$ 161,250</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Call and put options of corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 1,196</u>	<u>\$ -</u>	<u>\$ 24,652</u>	<u>\$ 25,848</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Call and put options of corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(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:

	<u>Listed shares</u>
Market quoted price	Closing price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow



method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

- iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
  - iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
- D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- E. For the years ended December 31, 2020 and 2019, no Level 3 financial instrument was changed.
- F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.
- G. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 24,652	Discounted cash flow	Long-term revenue growth rate	15%	The higher the long- term revenue growth rate, the higher the fair value;
			Weighted average cost of capital	9.41%	the higher the discount rate, the lower the fair value.
	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 24,652	Discounted cash flow	Long-term revenue growth rate	15%	The higher the long- term revenue growth rate, the higher the fair value;
			Weighted average cost of capital	9.41%	the higher the discount rate, the lower the fair value.

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

		December 31, 2020					
		Recognised in profit or loss		Recognised in other comprehensive income			
		Favourable	Unfavourable	Favourable	Unfavourable		
Input	Change	change	change	change	change		
Financial assets							
Equity instrument	Discount for lack of marketability	±5%	\$ -	\$ -	\$ 1,233	\$ 1,233	

		December 31, 2019					
		Recognised in profit or loss		Recognised in other comprehensive income			
		Favourable	Unfavourable	Favourable	Unfavourable		
	Input	Change	change	change	change	change	change
Financial assets							
Equity instrument	Discount for lack of marketability	±5%	\$ -	\$ -	\$ 1,233	\$ 1,233	

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(12) and 12(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

#### (4) Major shareholders information

Major shareholders information: Please refer to table 10.

### 14. SEGMENT INFORMATION

#### (1) General information

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

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

(2) Measurement of segment information

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

(3) Information about segment profit or loss, assets and liabilities

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

	Taiwan	Asia	Others	Adjustment and reversal	Total
<u>Year ended December 31, 2020</u>					
Revenue from external customers	\$ 1,736,207	\$ 5,917,899	\$ 569,745	\$ -	\$ 8,223,851
Revenue from internal customers	<u>4,536,203</u>	<u>352,141</u>	<u>-</u>	<u>( 4,888,344)</u>	<u>-</u>
Segment revenue	<u>\$ 6,272,410</u>	<u>\$ 6,270,040</u>	<u>\$ 569,745</u>	<u>(\$ 4,888,344)</u>	<u>\$ 8,223,851</u>
Segment income	<u>\$ 2,311,351</u>	<u>\$ 1,496,093</u>	<u>\$ 4,702</u>	<u>(\$ 1,959,408)</u>	<u>\$ 1,852,738</u>
Segment income / loss, including:					
Depreciation and amortisation	<u>\$ 248,558</u>	<u>\$ 87,556</u>	<u>\$ 1,109</u>	<u>\$ -</u>	<u>\$ 337,223</u>
Interest income	<u>447</u>	<u>74,467</u>	<u>-</u>	<u>-</u>	<u>74,914</u>
Interest expense	<u>13,009</u>	<u>564</u>	<u>-</u>	<u>-</u>	<u>13,573</u>
Income tax expense	<u>250,578</u>	<u>94,905</u>	<u>-</u>	<u>-</u>	<u>345,483</u>
Investment profit or loss which is adopting equity method	<u>669,481</u>	<u>393,113</u>	<u>-</u>	<u>( 1,062,594)</u>	<u>-</u>
Segment total assets	<u>\$ 14,729,473</u>	<u>\$ 12,029,425</u>	<u>\$ 293,557</u>	<u>(\$ 15,087,597)</u>	<u>\$ 11,964,858</u>
Segment assets including:					
Investment which is adopting equity method	<u>\$ 4,698,485</u>	<u>\$ 2,602,340</u>	<u>\$ -</u>	<u>(\$ 7,298,925)</u>	<u>\$ 1,900</u>
Capital expenditure of non-current asset	<u>785,420</u>	<u>39,476</u>	<u>-</u>	<u>-</u>	<u>824,896</u>
Segment total liabilities	<u>\$ 3,580,909</u>	<u>\$ 1,229,025</u>	<u>\$ 282,450</u>	<u>(\$ 715,929)</u>	<u>\$ 4,376,455</u>

	Taiwan	Asia	Other	Adjustment and reversal	Total
<u>Year ended December 31, 2019</u>					
Revenue from external customers	\$ 1,619,840	\$ 7,782,957	\$ 163,335	\$ -	\$ 9,566,132
Revenue from internal customers	<u>4,910,777</u>	<u>746,376</u>	<u>-</u>	<u>( 5,657,153)</u>	<u>-</u>
Segment revenue	<u>\$ 6,530,617</u>	<u>\$ 8,529,333</u>	<u>\$ 163,335</u>	<u>(\$ 5,657,153)</u>	<u>\$ 9,566,132</u>
Segment income	<u>\$ 2,685,001</u>	<u>\$ 2,190,493</u>	<u>(\$ 4,585)</u>	<u>(\$ 2,832,943)</u>	<u>\$ 2,037,966</u>
Segment income / loss, including:					
Depreciation and amortisation	\$ 193,633	\$ 74,644	\$ 1,064	\$ -	\$ 269,341
Interest income	<u>3,645</u>	<u>56,127</u>	<u>-</u>	<u>-</u>	<u>59,772</u>
Interest expense	<u>4,125</u>	<u>849</u>	<u>-</u>	<u>-</u>	<u>4,974</u>
Income tax expense	<u>209,572</u>	<u>157,129</u>	<u>564</u>	<u>-</u>	<u>367,265</u>
Investment profit or loss which is adopting equity method	<u>1,015,670</u>	<u>607,703</u>	<u>-</u>	<u>( 1,623,373)</u>	<u>-</u>
Segment total assets	<u>\$ 13,547,978</u>	<u>\$ 10,597,374</u>	<u>\$ 81,291</u>	<u>(\$ 13,398,025)</u>	<u>\$ 10,828,618</u>
Segment assets including:					
Investment which is adopting equity method	<u>\$ 4,039,995</u>	<u>\$ 2,164,244</u>	<u>\$ -</u>	<u>(\$ 6,204,239)</u>	<u>\$ -</u>
Capital expenditure of non-current asset	<u>1,476,314</u>	<u>163,769</u>	<u>930</u>	<u>-</u>	<u>1,641,013</u>
Segment total liabilities	<u>\$ 3,324,050</u>	<u>\$ 1,477,818</u>	<u>\$ 77,714</u>	<u>(\$ 1,258,465)</u>	<u>\$ 3,621,117</u>

For the years ended December 31, 2020 and 2019, sales to Europe and America of reporting department-Taiwan amounted to \$418,188 and \$261,174, respectively, and sales to Europe and America of reporting department-Asia and others amounted to \$570,124 and \$165,118, respectively.

(4) Reconciliation for segment income

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. The reportable segment income or loss is in accordance with the income before tax from continuing operations for the years ended December 31, 2020 and 2019.

(5) Information on products

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

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31,			
	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 1,736,207	\$ 4,099,340	\$ 1,619,840	\$ 3,660,236
Mainland China	5,917,899	830,805	7,782,957	802,946
Others	<u>569,745</u>	<u>2,352</u>	<u>163,335</u>	<u>5,034</u>
	<u>\$ 8,223,851</u>	<u>\$ 4,932,497</u>	<u>\$ 9,566,132</u>	<u>\$ 4,468,216</u>

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

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31,			
	2020		2019	
	Revenue	Segment	Revenue	Segment
A	\$ 1,014,753	Asia	\$ 1,702,480	Asia
B	1,115,443	Asia	1,045,494	Asia
	<u>\$ 2,130,196</u>		<u>\$ 2,747,974</u>	

TCI CO., LTD. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2020 (Note 3)	Balance at December 31, 2020	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for uncollectible accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	SHANGHAI BIOFUNCTION CO., LTD.	TCI CO., LTD.	Other receivables - related parties	Y	\$ 510,600	\$ 510,600	\$ -	4.35%	2	\$ -	For operating capital	\$ -	None	\$ -	\$ 1,035,563	\$ 1,035,563	Notes 5 and 6
2	SHANGHAI BIOSCIENCE CO., LTD.	TCI CO., LTD.	Other receivables - related parties	Y	340,400	340,400	-	4.35%	2	-	For operating capital	-	None	-	387,611	387,611	Notes 5 and 6

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

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

Note 2: Fill in the name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2020. The amount is calculated at the closing rate of RMB\$1 : NTD\$4.3770, the exchange rate used in original transaction shall be adopted if there was no movement.

Note 4: (1) For entities having business transaction with the Company, limit on loans granted to a single party is the higher value of purchasing and selling during the most recent year or during the current year as of the date of financing.

(2) For nature of loan pertaining to short-term financing, limit on loans granted to a single party is 30% of the Company's net assets based on the latest financial statements.

Note 5: For short-term financing with other entities, ceiling on total loans granted by the Company's subsidiary to others is 30% of the subsidiary's net assets based on the latest financial statements,  
and limit on loans granted by the Company's subsidiary to a single party is 30% of the subsidiary's net assets based on the latest financial statements.

Note 6: The amounts were approved by the Board of Directors.

TCI CO., LTD. AND SUBSIDIARIES  
Provision of endorsements and guarantees to others  
Year ended December 31, 2020

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number ( Note 1 )	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary ( Note 4 )	Provision of endorsements/ guarantees by subsidiary to parent company ( Note 4 )	Provision of endorsements/ guarantees to the party in Mainland China ( Note 4 )	Footnote
			Relationship with the endorser/ guarantor ( Note 2 )											
0	TCI CO., LTD.	TCI HK LIMITED	2	\$ 1,381,756	\$ 1,400,000	\$ 1,000,000	\$ -	\$ -	14.47	\$ 3,454,391	Y	N	N	Note 3

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1)Having business relationship.
- (2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/ guaranteed subsidiary.
- (3)The Endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/ guaranteed company.
- (4)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Limit on endorsements/guarantees provided for a single party is 20% of the Company's net assets based on the latest financial statements.

Ceiling on total amount of endorsements/guarantees provided to others is 50% of the Company's net assets based on the latest financial statements.

Note 4: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 5: On July 24, 2020, the Board of Directors of the Company resolved to adjust the endorsement/guarantee amount from \$1,400,000 to \$1,000,000.



TCI CO., LTD. AND SUBSIDIARIES

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

December 31, 2020

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
TCI CO., LTD.	BILLION ELECTRIC CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	125,039	\$ 1,196	0.13	\$ 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	9.84	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.	NIPPI INC	None	Financial assets at fair value through profit or loss - current	66,400	70,175	2.30	70,175	
TCI CO., LTD.	MAXIGEN BIOTECH INC.	None	Financial assets at fair value through profit or loss - current	1,957,000	44,815	2.82	44,815	
TCI CO., LTD.	SYNGEN BIOTECH CO., LTD.	None	Financial assets at fair value through profit or loss - current	189,000	20,412	0.70	20,412	

TCI CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2020

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	Subsidiary	(Sales)	\$ 2,022,416	( 33.33)	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.	\$ 134,029	17.57	
TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	Subsidiary	(Sales)	1,741,026	( 28.69)	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.	70,960	9.30	
TCI CO., LTD.	TCI BIOTECH LLC	Subsidiary	(Sales)	519,730	( 8.56)	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.	221,642	29.05	
TCI CO., LTD.	TCI JAPAN CO., LTD.	Subsidiary	Purchases	138,447	4.03	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.	( 28,000)	( 4.22)	

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

TCI CO., LTD. AND SUBSIDIARIES

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

December 31, 2020

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	
					Amount	Action taken			
TCI CO., LTD.	SHANGHAI BIDTRADE CO., LTD	Subsidiary	Accounts receivable	\$ 134,029	10.82	-	-	\$ 134,029	\$ -
TCI CO., LTD.	TCI BIOTECH LLC	Subsidiary	Accounts receivable	221,642	3.71	-	-	221,642	-

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

TCI CO., LTD. AND SUBSIDIARIES  
Significant inter-company transactions during the reporting periods  
Year ended December 31, 2020

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
0	TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	1	Sales of goods	\$ 2,022,416	The prices and terms of sales and purchases are available to third parties.	24.59
0	TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	1	Accounts receivable	134,029	The prices and terms of sales and purchases are available to third parties.	1.12
0	TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	1	Sales of goods	1,741,026	The prices and terms of sales and purchases are available to third parties.	21.17
0	TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	1	Accounts receivable	70,960	The prices and terms of sales and purchases are available to third parties.	0.59
0	TCI CO., LTD.	TCI BIOTECH LLC	1	Sales of goods	519,730	The prices and terms of sales and purchases are available to third parties.	6.32
0	TCI CO., LTD.	TCI BIOTECH LLC	1	Accounts receivable	221,642	The prices and terms of sales and purchases are available to third parties.	1.85
0	TCI CO., LTD.	TCI JAPAN CO., LTD.	1	Purchases	138,447	The prices and terms of sales and purchases are available to third parties.	1.68

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

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

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

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

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

## TCI CO., LTD. AND SUBSIDIARIES

## Information on investees

Year ended December 31, 2020

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
TCI CO., LTD.	TCI FIRSTEK CORP.	Taiwan	Wholesale and retail of health foods and cosmetics	\$ 43,685	\$ 43,685	238,296,886	100.00	\$ 3,106,833	\$ 435,916	\$ 435,916	None
TCI CO., LTD.	GENE & NEXT INC.	Taiwan	Research and development of biotechnology and genetics	64,250	64,250	9,541,125	61.19	127,218	35,746	21,873	None
TCI CO., LTD.	TCI HK LIMITED	Hong Kong	Trading health foods and cosmetics	21,046	21,046	-	100.00	13,540	503	503	None
TCI CO., LTD.	TCI BIOTECH LLC	U.S.A.	Trading health foods and cosmetics	8,778	8,778	-	100.00	12,233	9,161	9,161	None
TCI CO., LTD.	BIOCOSME CO., LTD.	Taiwan	Trading health foods and cosmetics	5,000	5,000	500,000	100.00	5,006	-	-	None
TCI CO., LTD.	TCI JAPAN CO., LTD.	JAPAN	Trading health foods and cosmetics	15,626	15,626	5,500	100.00	26,257	5,157	5,157	None
GENE & NEXT INC.	GLUX HK LIMITED	Hong Kong	Trading health foods and cosmetics	29,542	29,542	-	100.00	442	556	340	None
GENE & NEXT INC.	TCI LIVING CO., LTD.	Taiwan	Trading health foods and cosmetics	43,175	43,175	2,760,000	79.31	32,670	279	171	None
TCI LIVING CO., LTD.	SBI GROUP HK LIMITED	Hong Kong	Trading health foods and cosmetics	-	-	-	100.00	3,835	3	1	None
TCI CO., LTD.	PT TCI BIOTEK INDO	Indonesia	Trading health foods and cosmetics	-	-	-	100.00	92	10	10	Note 3
TCI CO., LTD.	TCI BIOTECH NETHERLANDS B.V.	Netherlands	Trading health foods and cosmetics	-	-	-	100.00	( 1,126)	( 4,459)	( 4,459)	None
TCI CO., LTD.	SMY INTERENT OF PACKAGE CO., LTD.	Taiwan	Producing, manufacturing and selling of packaging containers	-	-	190,000	19.00	1,900	1	-	None
TCI CO., LTD.	QUANTUM BIOLOGY INC.	Taiwan	Research and development of biotechnology	-	-	3,000,000	100.00	21,841	( 8,158)	( 8,158)	None

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, 2020' 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, 2020' 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, 2020' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: There was no capital injection as of December 31, 2020.

TCI CO., LTD. AND SUBSIDIARIES  
Information on investments in Mainland China  
Year ended December 31, 2020

Table 8

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, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SHANGHAI BIOTRADE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetic manufacturing	\$ 14,525	Note 3	\$ 15,440	\$ -	\$ -	\$ 15,440	\$ 444,661	100.00	\$ 444,661	\$ 3,396,245	\$ 289,047	Note 5 Note 6
SHANGHAI BIOSCIENCE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	26,262	Note 2	-	-	-	-	407,606	100.00	407,606	3,147,764	-	Note 5 Note 6
SHANGHAI BIOCOSME CO., LTD.	Producing cosmetics	144,441	Note 2	-	-	-	-	35,498	100.00	35,498	186,247	-	Note 5 Note 6
SHANGHAI BIOFUNCTION CO., LTD.	Producing health foods	1,148,512	Note 1	438,307	-	-	438,307	602,592	100.00	602,592	3,989,055	-	Note 5 Note 6
BIO DYNAMIC LABORATORIES INC.	Trading health foods and cosmetics	28,958	Note 3	-	-	-	-	-	48.53	-	2,825	-	Note 5 Note 6
SHANGHAI BIOTECHGENE TECHNOLOGY CO., LTD.	Research and development of biotechnology and genetics	43,770	Note 4	-	-	-	-	438	100.00	438	44,603	-	Note 5 Note 6
TCI LIVING SHANGHAI CO., LTD.	Trading health foods and cosmetics	2,848	Note 3	-	-	-	- (	439)	48.53 (	213)	1,256	-	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\$168,700)

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 audited and attested by R.O.C. parent company's CPA.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	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	\$ 712,000	\$ 4,553,042
TCI FIRSTEK CORP.	15,440	15,440	2,022,760

Note 6 : The numbers in this table are expressed in New Taiwan dollars, except for: assets and liabilities presents at RMB\$1 : NTD\$4.3770, USD\$1 : NTD\$28.4800; income presents at RMB\$1 : NTD\$4.2813, USD\$1 : NTD\$29.5332;

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. AND SUBSIDIARIES

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

Year ended December 31, 2020

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate	Interest during the year ended December 31, 2020	Others
SHANGHAI BIOFUNCTION CO., LTD.	\$ 1,741,026	28.69	\$ -	-	\$ 70,960	9.30	\$ -	-	\$ -	\$ -	-	\$ -	-
SHANGHAI BIOTRADE CO., LTD.	2,022,416	33.33	-	-	134,029	17.57	-	-	-	-	-	-	-

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.

TCI CO., LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2020

Table 10

Name of major shareholders	Shares	
	Number of shares held	Ownership
DYDO GROUP HOLDINGS INC.	9,593,216	8.11%
JIE TIAN LTD.	7,764,000	6.57%



## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

### ***Opinion***

We have audited the accompanying parent company only balance sheets of TCI Co., Ltd. (the “Company”) as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of TCI Co., Ltd as at December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2020 parent company only financial statements are stated as follows:

**Existence and occurrence of top ten customers**

Description

The Company's and its subsidiaries' (listed as investments accounted for under equity method) sales revenue arise mainly from manufacturing and sales of health foods and cosmetics. Customers are mostly direct marketing companies in Europe and Asia and cosmetic companies.

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

Please refer to Note 4(29) for accounting policies on revenue recognition and Note 6(20) for details of sales revenue and Note 6(5) for details of investments accounted for under equity method.

How our audit addressed the matter

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

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

## **Allowance for inventory valuation losses**

### Description

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

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

Please refer to Note 4(12) for accounting policy on inventory valuation and Note 6(4) for details of allowance for inventory valuation losses and Note 6(5) for details of investments accounted for under equity method.

### How our audit addressed the matter

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

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

- Interviewing management and reviewing sales after balance sheet date to assess the reasonableness of allowance for inventory valuation losses.

***Responsibilities of management and those charged with governance for the parent company only financial statements***

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

***Auditors' responsibilities for the audit of the parent company only financial statements***

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

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

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

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

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

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

Hsu, Ming-Chuan      Chih, Ping-Chiun  
For and on behalf of PricewaterhouseCoopers, Taiwan  
March 8, 2021

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The accompanying parent company only 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 parent company only financial statements and independent auditors' report 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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TCI CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	507,239	5	\$	1,025,245	10
1110	Financial assets at fair value through profit or loss - current	6(10)		135,402	1		-	-
1136	Current financial assets at amortised cost	6(1) and 8		176,953	2		-	-
1150	Notes receivable, net	6(3)		15,653	-		2,940	-
1170	Accounts receivable, net	6(3)		207,976	2		221,091	2
1180	Accounts receivable - related parties, net	7		539,233	5		403,315	4
1200	Other receivables			21,316	-		12,871	-
1210	Other receivables - related parties	7		8,103	-		67,373	1
1220	Current income tax assets	6(27)		-	-		2,229	-
130X	Inventories	6(4)		361,986	3		670,441	7
1410	Prepayments			105,402	1		221,953	2
1470	Other current assets			27,228	-		27,872	-
11XX	Total current assets			2,106,491	19		2,655,330	26
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(2)		23,568	-		23,568	-
1550	Investments accounted for using equity method	6(5)		4,698,485	43		4,039,995	39
1600	Property, plant and equipment	6(6)		2,985,462	27		1,883,457	18
1755	Right-of-use assets	6(7)		26,621	-		41,651	1
1780	Intangible assets	6(8)		13,477	-		19,532	-
1840	Deferred income tax assets	6(27)		59,758	1		34,199	-
1900	Other non-current assets	6(9)		1,036,403	10		1,678,305	16
15XX	Total non-current assets			8,843,774	81		7,720,707	74
1XXX	Total assets		\$	10,950,265	100	\$	10,376,037	100

(Continued)

TCI CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2020		December 31, 2019			
			Notes	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(13)	\$	1,076,334	10	\$	200,000	2
2130	Current contract liabilities	6(20)		144,143	1		698,191	7
2150	Notes payable			1,350	-		2,520	-
2170	Accounts payable			534,154	5		711,117	7
2180	Accounts payable - related parties	7		127,685	1		144,742	1
2200	Other payables	6(11)		628,469	6		788,401	8
2220	Other payables - related parties	7		13,321	-		23,948	-
2230	Current income tax liabilities	6(27)		409,022	4		167,235	2
2280	Current lease liabilities			10,533	-		14,009	-
2320	Long-term liabilities, current portion	6(12)		434,268	4		-	-
2399	Other current liabilities, others			49,365	1		31,332	-
21XX	Total current liabilities			3,428,644	32		2,781,495	27
Non-current liabilities								
2530	Corporate bonds payable	6(12)		-	-		431,389	4
2540	Long-term borrowings			3,980	-		-	-
2570	Deferred income tax liabilities	6(27)		-	-		2,149	-
2580	Non-current lease liabilities			16,479	-		27,929	-
2600	Other non-current liabilities	6(5)		1,126	-		-	-
25XX	Total non-current liabilities			21,585	-		461,467	4
2XXX	Total liabilities			3,450,229	32		3,242,962	31
Equity								
	Share capital	6(16)						
3110	Share capital - common stock			1,182,202	11		1,196,172	11
	Capital surplus	6(17)						
3200	Capital surplus			2,618,432	23		2,600,733	25
	Retained earnings	6(18)						
3310	Legal reserve			598,016	5		396,403	4
3320	Special reserve			325,709	3		168,346	2
3350	Unappropriated retained earnings			3,259,603	30		3,192,547	31
	Other equity interest	6(19)						
3400	Other equity interest		(	257,069)	( 2)	(	421,126)	( 4)
3500	Treasury shares	6(16)	(	226,857)	( 2)		-	-
3XXX	Total equity			7,500,036	68		7,133,075	69
3X2X	Total liabilities and equity		\$	10,950,265	100	\$	10,376,037	100

The accompanying notes are an integral part of these parent company only financial statements.



TCI CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

			Years ended December 31			
	Items	Notes	2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(20) and 7	\$ 6,068,526	100	\$ 6,332,067	100
5000	Operating costs	6(4)(14)(25)(26) and 7	( 3,439,476)	( 57)	( 4,134,552)	( 66)
5900	Net operating margin		2,629,050	43	2,197,515	34
5910	Unrealized profit from sales	6(5)	( 264,433)	( 4)	( 136,040)	( 2)
5920	Realized profit from sales	6(5)	136,040	2	185,417	3
5950	Net operating margin		2,500,657	41	2,246,892	35
	Operating expenses	6(14)(25)(26)				
6100	Selling expenses		( 270,179)	( 4)	( 317,406)	( 5)
6200	General and administrative expenses		( 515,748)	( 8)	( 547,548)	( 9)
6300	Research and development expenses		( 397,896)	( 7)	( 402,466)	( 6)
6000	Total operating expenses		( 1,183,823)	( 19)	( 1,267,420)	( 20)
6900	Operating profit		1,316,834	22	979,472	15
	Non-operating income and expenses					
7100	Interest income	6(21)	374	-	3,484	-
7010	Other income	6(22) and 7	104,047	1	238,862	4
7020	Other gains and losses	6(23)	( 586)	-	( 8,643)	-
7050	Finance costs	6(24)	( 13,009)	-	( 4,060)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(5)	669,481	11	1,015,670	16
7000	Total non-operating income and expenses		760,307	12	1,245,313	20
7900	<b>Profit before income tax</b>		2,077,141	34	2,224,785	35
7950	Income tax expense	6(27)	( 238,349)	( 4)	( 208,656)	( 3)
8200	<b>Profit for the year</b>		\$ 1,838,792	30	\$ 2,016,129	32
	<b>Other comprehensive income (loss)</b>					
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations	6(5)(19)	\$ 81,009	2	( \$ 157,363)	( 3)
8300	<b>Other comprehensive income (loss) for the year</b>		\$ 81,009	2	( \$ 157,363)	( 3)
8500	<b>Total comprehensive income for the year</b>		\$ 1,919,801	32	\$ 1,858,766	29
	Earnings per share (In dollars)					
9750	Basic earnings per share	6(28)	\$ 15.69		\$ 17.02	
9850	Diluted earnings per share	6(28)	\$ 15.37		\$ 16.63	

The accompanying notes are an integral part of these parent company only financial statements.

TCI CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital			Retained earnings			Other equity interest			Treasury shares	Total equity
		Share capital - common stock	Advance receipts for share capital	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	Other equity - unearned employee compensation		
For the year ended December 31, 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
Profit for the year		-	-	-	-	-	2,016,129	-	-	-	-	2,016,129
Other comprehensive loss for the year	6(19)	-	-	-	-	-	-	( 157,363 )	-	-	-	( 157,363 )
Total comprehensive income (loss)		-	-	-	-	-	2,016,129	( 157,363 )	-	-	-	1,858,766
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 )
Exercise of employee stock purchase plans	6(16)(17)	5,890	( 420 )	31,180	-	-	-	-	-	-	-	36,650
Conversion of convertible bonds into shares	6(12)(16)	5,180	( 3,335 )	64,207	-	-	-	-	-	-	-	66,052
Share-based payments	6(16)(19)(26)	8,870	-	248,475	-	-	-	-	-	( 90,992 )	-	166,353
Adjustment not proportionately to shareholding ratio	6(5)	-	-	-	-	-	( 379 )	-	-	-	-	( 379 )
Balance at December 31, 2019		<u>\$1,196,172</u>	<u>\$ -</u>	<u>\$2,600,733</u>	<u>\$ 396,403</u>	<u>\$ 168,346</u>	<u>\$3,192,547</u>	<u>(\$ 314,133 )</u>	<u>(\$ 11,576 )</u>	<u>(\$ 95,417 )</u>	<u>\$ -</u>	<u>\$7,133,075</u>

(Continued)

TCI CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital			Retained earnings			Other equity interest			Treasury shares	Total equity
		Share capital - common stock	Advance receipts for share capital	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	Other equity - unearned employee compensation		
For the year ended December 31, 2020												
Balance at January 1, 2020		\$ 1,196,172	\$ -	\$ 2,600,733	\$ 396,403	\$ 168,346	\$ 3,192,547	(\$ 314,133 )	(\$ 11,576 )	(\$ 95,417 )	\$ -	\$ 7,133,075
Profit for the year		-	-	-	-	-	1,838,792	-	-	-	-	1,838,792
Other comprehensive income for the year	6(19)	-	-	-	-	-	-	81,009	-	-	-	81,009
Total comprehensive income		-	-	-	-	-	1,838,792	81,009	-	-	-	1,919,801
Appropriations of 2019 earnings												
Legal reserve		-	-	-	201,613	-	( 201,613 )	-	-	-	-	-
Special reserve		-	-	-	-	157,363	( 157,363 )	-	-	-	-	-
Cash dividends		-	-	-	-	-	( 1,040,622 )	-	-	-	-	( 1,040,622 )
Exercise of employee stock purchase plans	6(15)(16)	6,250	-	29,856	-	-	-	-	-	-	-	36,106
Share-based payments	6(15)(19)(26)	-	-	33,743	-	-	-	-	-	83,048	-	116,791
Proceeds from capital reduction of restricted stocks to employees	6(16)	( 220 )	-	-	-	-	-	-	-	-	-	( 220 )
Purchase of treasury shares	6(16)	-	-	-	-	-	-	-	-	-	( 664,895 )	( 664,895 )
Retirement of treasury shares	6(16)	( 20,000 )	-	( 45,900 )	-	-	( 372,138 )	-	-	-	438,038	-
Balance at December 31, 2020		\$ 1,182,202	\$ -	\$ 2,618,432	\$ 598,016	\$ 325,709	\$ 3,259,603	(\$ 233,124 )	(\$ 11,576 )	(\$ 12,369 )	(\$ 226,857 )	\$ 7,500,036

The accompanying notes are an integral part of these parent company only financial statements.

TCI CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

		Years ended December 31,	
	Notes	2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 2,077,141	\$ 2,224,785
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(10)(23)	( 509 )	( 125 )
Gain on disposal of property, plant and equipment	6(23)	( 180 )	-
Share of profit of subsidiaries accounted for under equity method	6(5)	( 669,481 )	( 1,015,670 )
Unrealized profit from sales	6(5)	128,393	49,377
Depreciation	6(6)(7)(25)	227,203	176,572
Amortisation	6(8)(25)	13,911	11,575
Interest income	6(21)	( 374 )	( 3,484 )
Dividend income	6(22)	( 149 )	( 242 )
Interest expense	6(24)	13,009	4,060
Compensation cost arising from employee stock options	6(15)(26)	116,791	157,483
Profit from lease modifications	6(23)	( 42 )	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		( 12,713 )	40
Accounts receivable		13,115	( 29,473 )
Accounts receivable - related parties		( 135,918 )	310,147
Other receivables		( 8,445 )	15,501
Other receivables - related parties		59,270	( 46,869 )
Inventories		308,455	( 150,192 )
Prepayments		116,551	( 69,014 )
Other current assets		644	( 4,742 )
Changes in operating liabilities			
Contract liabilities - current		( 554,048 )	581,799
Notes payable		( 1,170 )	( 249,798 )
Accounts payable		( 176,963 )	( 380,969 )
Accounts payable - related parties		( 17,057 )	52,824
Other payables		( 78,203 )	156,909
Other current liabilities		18,033	( 27,032 )
Other payables - related parties		( 10,627 )	( 8,309 )
Cash inflow generated from operations		1,426,637	1,656,399
Interest received		374	3,682
Dividends received		149	242
Interest paid		( 9,557 )	( 331 )
Income tax paid		( 22,041 )	( 171,272 )
Net cash flows from operating activities		1,395,562	1,488,720

(Continued)

TCI CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31,	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in investments accounted for under equity method	6(5)	(\$ 35,267 )	(\$ 15,626 )
Acquisition of property, plant and equipment	6(29)	( 100,807 )	( 251,401 )
Proceeds from disposal of property, plant and equipment		416	-
Acquisition of intangible assets	6(8)	( 7,856 )	( 15,153 )
Acquisition of financial assets at fair value through profit or loss	6(10)	( 134,893 )	-
Increase in financial assets at amortised cost	6(1)	( 176,953 )	-
Increase in prepayments for purchase of equipment		( 653,842 )	( 1,137,961 )
Increase in refundable deposits		( 1,472 )	( 5,408 )
(Increase) decrease in other non-current assets		( 217 )	24,026
Net cash flows used in investing activities		( 1,110,891 )	( 1,401,523 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayments of short-term borrowings		( 3,111,636 )	( 450,000 )
Proceeds from short-term borrowings		3,987,970	650,000
Repayment of principal portion of lease liabilities	6(7)	( 13,360 )	( 13,542 )
Proceeds from long-term borrowings		3,980	-
Cash dividends paid		( 1,040,622 )	( 718,253 )
Proceeds from employee stock options exercised		36,106	36,650
Proceeds from issuance of restricted stock	6(15)	-	8,870
Acquisition of treasury shares	6(16)	( 664,895 )	-
Unvested redeemed stocks from restricted stocks to employees	6(16)	( 220 )	-
Net cash flows used in financing activities		( 802,677 )	( 486,275 )
Net decrease in cash and cash equivalents		( 518,006 )	( 399,078 )
Cash and cash equivalents at beginning of year	6(1)	1,025,245	1,424,323
Cash and cash equivalents at end of year	6(1)	<u>\$ 507,239</u>	<u>\$ 1,025,245</u>

The accompanying notes are an integral part of these parent company only financial statements.

TCI CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

(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 is primarily engaged in manufacturing, wholesale and retail of health food and cosmetics.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 8, 2021.

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 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020(Note)
Note : Earlier application from January 1, 2020 is allowed by FSC.	

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform — Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company'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 3, 'Reference to the conceptual framework'	January 1, 2022
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, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

These parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the parent company only 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 at fair value through other comprehensive income.
  - (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 Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan Dollars (NTD), which is the Company’s functional and 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 Company entities, associates and joint 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 Company 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.

(4) 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 settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled 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.

(5) 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.

(6) 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 Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(7) 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 Company 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 Company'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 Company measures the financial assets at fair value plus transaction costs. The Company 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 Company 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.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
  - (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 amortised cost are recognised and derecognised using trade date accounting.
- C. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company 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 Company 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 Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

The Company 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 Company 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 Company 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) Investments accounted for using equity method / subsidiary

- A. Subsidiaries are all entities (including structured entity) controlled by the Company. The Company controls an entity when the Company 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.
- B. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have

- been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company should continue to recognize losses in proportion to its ownership.
  - D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transaction 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 recognized directly in equity.
  - E. When the Company loses control of a subsidiary, the Company 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 recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if all the related assets or liabilities were disposed of. That is, other comprehensive income in relation to the subsidiary should be reclassified to profit or loss.
  - F. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit and other comprehensive income in the separate financial statements should be the same as profit and other comprehensive income attributable to shareholders of the parent in the consolidated financial statements, and the equity in the separate financial statements should be the same as the equity attributable to shareholders of the parent in the consolidated financial statements.

(14) 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 Company 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
Other	1 ~ 10 years

(15) 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 Company. 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 Company 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.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(16) Intangible assets

A. Licences

Separately acquired licences are stated at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences 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 Company 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 comprise long-term and short-term bank 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. Notes and 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 Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company 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 Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company 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) Derecognition of financial liabilities

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

(23) Offsetting financial instruments

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

(24) Employee benefits

- A. Short-term employee benefits



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

B. Pensions

Defined contribution plans

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company'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 Company 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 non-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, when the Company receives dividends from employees resigning during the vesting period, the Company credits related amounts that were previously debited from retained earnings,



legal reserve or capital surplus 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 Company and the Company must refund their payments on the stocks, the Company 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 Company 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 recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(27) Share capital

- A. 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.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(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 Company 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 Company 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 Company will comply with any conditions attached to the grants and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

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

The preparation of these separate financial statements requires management to make critical judgements in applying the Company'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 assumptions 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 Company'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 Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the carrying amount of inventories was \$361,986.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 2,086	\$ 1,676
Checking accounts and demand deposits	665,106	1,023,569
Time deposits	<u>17,000</u>	<u>-</u>
	684,192	1,025,245
Less: Shown as 'current financial assets at amortised cost'	( 17,000)	-
Less: Shown as 'current financial assets at amortised cost - pledged'	<u>( 159,953)</u>	<u>-</u>
	<u>\$ 507,239</u>	<u>\$ 1,025,245</u>

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

B. As of December 31, 2020 and 2019, the Company recognised time deposits with maturity over three months of \$17,000 and \$0, respectively, and shown as 'current financial assets at amortised cost'.

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

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

Items	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Listed stocks	\$ 12,604	\$ 12,604
Unlisted stocks	22,540	22,540
	35,144	35,144
Valuation adjustment	( 11,576)	( 11,576)
	<u>\$ 23,568</u>	<u>\$ 23,568</u>

A. The Company 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 \$23,568 and \$23,568 as at December 31, 2020 and 2019, respectively.

B. As at December 31, 2020 and 2019, 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 Company was \$23,568 and \$23,568, respectively.

C. The Company's financial assets at fair value through other comprehensive income are not pledged to others as collateral.

D. 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

	December 31, 2020	December 31, 2019
Notes receivable	\$ 15,653	\$ 2,940
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 15,653</u>	<u>\$ 2,940</u>
Accounts receivable	\$ 239,808	\$ 252,923
Less: Allowance for uncollectible accounts	( 31,832)	( 31,832)
	<u>\$ 207,976</u>	<u>\$ 221,091</u>

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

	December 31, 2020	December 31, 2019
Not past due	\$ 184,513	\$ 133,776
Up to 30 days	19,420	35,500
31 to 90 days	19,696	52,834
Over 91 days	-	1,921
	<u>\$ 223,629</u>	<u>\$ 224,031</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$194,598.
- C. As of December 31, 2020 and 2019, 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 Company's notes and accounts receivable were \$15,653 and \$2,940; \$207,976 and \$221,091, respectively.
- D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

#### (4) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 326,307	(\$ 16,367)	\$ 309,940
Work in progress	6,577	-	6,577
Finished goods	60,273	( 14,804)	45,469
	<u>\$ 393,157</u>	<u>(\$ 31,171)</u>	<u>\$ 361,986</u>

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 604,439	(\$ 25,367)	\$ 579,072
Work in progress	31,670	-	31,670
Finished goods	69,290	( 9,591)	59,699
	<u>\$ 705,399</u>	<u>(\$ 34,958)</u>	<u>\$ 670,441</u>

- A. The cost of inventories recognised as expense for the years ended December 31, 2020 and 2019, was \$3,439,476 and \$4,134,552, respectively, including the amounts of (\$3,787) and (\$35,563), respectively, the Company wrote down from cost to net realisable value accounted for as cost of goods sold.
- B. The Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold as these inventories which had been written down from cost to its net realisable value were subsequently sold in 2020 and 2019.

(5) Investments accounted for using equity method

	2020	2019
At January 1	\$ 4,039,995	\$ 3,117,064
Addition of investments accounted for using equity method	35,267	15,626
Share of profit or loss of investments accounted for using equity method	669,481	1,015,670
Unrealized profit (loss) from sales	( 264,433)	( 136,040)
Realized profit (loss) from sales	136,040	185,417
Changes in unappropriated earnings (not recognised proportionately to shareholding ratio)	- (	379)
Changes in other equity items	81,009 (	157,363)
Credit balance of investments accounted for using equity method transferred to other non-current liabilities	1,126	-
At December 31	<u>\$ 4,698,485</u>	<u>\$ 4,039,995</u>
	December 31, 2020	December 31, 2019
TCI FIRSTEK CORP.	\$ 3,106,833	\$ 2,741,022
GENE & NEXT INC.	127,218	105,353
SHANGHAI BIOFUNCTION CO., LTD.	1,383,565	1,150,115
TCI HK LIMITED	13,540	13,743
TCI BIOTECH LLC	12,233	3,577
BIOCOSME CO., LTD.	5,006	5,006
TCI JAPAN CO., LTD.	26,257	21,089
PT TCI BIOTEK INDO	92	90
TCI BIOTECH NETHERLANDS B.V.	( 1,126)	-
SMY INTERENT OF PACKAGE CO., LTD.	1,900	-
QUANTUM BIOLOGY INC.	21,841	-
	4,697,359	4,039,995
Add: Credit balance of investments accounted for under equity method (shown as ‘2600 other non-current liabilities’)	1,126	-
	<u>\$ 4,698,485</u>	<u>\$ 4,039,995</u>

- A. Information about the Company’s subsidiaries is provided in Note 4(3) of the 2020 consolidated financial statements.
- B. The Company’s second-tier subsidiary, TCI LIVING CO., LTD., issued new shares and merged with AQUAGEN CO., LTD. in December 2019. Such transaction resulted to changes in interests in GENE & NEXT INC. on the equity attributable to owners of the parent. Information about this transaction is provided in Note 6(29) of the 2020 consolidated financial statements.

(6) Property, plant and equipment

	Land	Buildings and structures	Machinery	Office equipment	Others	Total
<u>At January 1, 2020</u>						
Cost	\$ 499,649	\$ 776,310	\$ 742,685	\$ 198,082	\$ 199,745	\$ 2,416,471
Accumulated depreciation	-	( 97,623)	( 270,504)	( 66,709)	( 98,178)	( 533,014)
	<u>\$ 499,649</u>	<u>\$ 678,687</u>	<u>\$ 472,181</u>	<u>\$ 131,373</u>	<u>\$ 101,567</u>	<u>\$ 1,883,457</u>
<u>2020</u>						
At January 1	\$ 499,649	\$ 678,687	\$ 472,181	\$ 131,373	\$ 101,567	\$ 1,883,457
Additions	-	-	5,778	2,576	10,724	19,078
Disposals	-	-	( 236)	-	-	( 236)
Reclassifications	164,151	883,276	176,573	38,126	35,307	1,297,433
Depreciation charge	-	( 36,013)	( 117,066)	( 21,045)	( 40,146)	( 214,270)
At December 31	<u>\$ 663,800</u>	<u>\$ 1,525,950</u>	<u>\$ 537,230</u>	<u>\$ 151,030</u>	<u>\$ 107,452</u>	<u>\$ 2,985,462</u>
<u>At December 31, 2020</u>						
Cost	\$ 663,800	\$ 1,659,586	\$ 924,800	\$ 238,784	\$ 244,900	\$ 3,731,870
Accumulated depreciation	-	( 133,636)	( 387,570)	( 87,754)	( 137,448)	( 746,408)
	<u>\$ 663,800</u>	<u>\$ 1,525,950</u>	<u>\$ 537,230</u>	<u>\$ 151,030</u>	<u>\$ 107,452</u>	<u>\$ 2,985,462</u>
	Land	Buildings and structures	Machinery	Office equipment	Others	Total
<u>At January 1, 2019</u>						
Cost	\$ 159,301	\$ 875,013	\$ 546,069	\$ 189,661	\$ 156,364	\$ 1,926,408
Accumulated depreciation	-	( 72,314)	( 179,333)	( 48,588)	( 70,282)	( 370,517)
	<u>\$ 159,301</u>	<u>\$ 802,699</u>	<u>\$ 366,736</u>	<u>\$ 141,073</u>	<u>\$ 86,082</u>	<u>\$ 1,555,891</u>
<u>2019</u>						
At January 1	\$ 159,301	\$ 802,699	\$ 366,736	\$ 141,073	\$ 86,082	\$ 1,555,891
Additions	201,305	35,512	48,126	674	6,588	292,205
Reclassifications	139,043	( 134,215)	148,490	7,747	37,733	198,798
Depreciation charge	-	( 25,309)	( 91,171)	( 18,121)	( 28,836)	( 163,437)
At December 31	<u>\$ 499,649</u>	<u>\$ 678,687</u>	<u>\$ 472,181</u>	<u>\$ 131,373</u>	<u>\$ 101,567</u>	<u>\$ 1,883,457</u>
<u>At December 31, 2019</u>						
Cost	\$ 499,649	\$ 776,310	\$ 742,685	\$ 198,082	\$ 199,745	\$ 2,416,471
Accumulated depreciation	-	( 97,623)	( 270,504)	( 66,709)	( 98,178)	( 533,014)
	<u>\$ 499,649</u>	<u>\$ 678,687</u>	<u>\$ 472,181</u>	<u>\$ 131,373</u>	<u>\$ 101,567</u>	<u>\$ 1,883,457</u>

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

(7) Leasing arrangements — lessee

A. The Company leases various assets including land, buildings and machinery. 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:

	December 31, 2020	December 31, 2019
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 25,957	\$ 39,959
Transportation equipment (Business vehicles)	664	1,692
	<u>\$ 26,621</u>	<u>\$ 41,651</u>
	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 11,905	\$ 11,896
Transportation equipment (Business vehicles)	1,028	1,239
	<u>\$ 12,933</u>	<u>\$ 13,135</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$1,253 and \$8,606, respectively.

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

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 573	\$ 694
Expense on short-term lease contracts	20,791	25,270
Expense on leases of low-value assets	9,028	16,288
Gain or loss on lease modification	42	-

E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases was \$43,179 and \$55,100, respectively.



(8) Intangible assets

	Software	Royalty	Total
<u>At January 1, 2020</u>			
Cost	\$ 37,519	\$ 1,650	\$ 39,169
Accumulated amortisation	( 18,987)	( 650)	( 19,637)
	<u>\$ 18,532</u>	<u>\$ 1,000</u>	<u>\$ 19,532</u>
<u>2020</u>			
At January 1	\$ 18,532	\$ 1,000	\$ 19,532
Additions	7,856	-	7,856
Amortisation charge	( 13,761)	( 150)	( 13,911)
At December 31	<u>\$ 12,627</u>	<u>\$ 850</u>	<u>\$ 13,477</u>
<u>At December 31, 2020</u>			
Cost	\$ 40,710	\$ 1,500	\$ 42,210
Accumulated amortisation	( 28,083)	( 650)	( 28,733)
	<u>\$ 12,627</u>	<u>\$ 850</u>	<u>\$ 13,477</u>
	Software	Royalty	Total
<u>At January 1, 2019</u>			
Cost	\$ 33,552	\$ 1,650	\$ 35,202
Accumulated amortisation	( 18,886)	( 362)	( 19,248)
	<u>\$ 14,666</u>	<u>\$ 1,288</u>	<u>\$ 15,954</u>
<u>2019</u>			
At January 1	\$ 14,666	\$ 1,288	\$ 15,954
Additions	15,153	-	15,153
Amortisation charge	( 11,287)	( 288)	( 11,575)
At December 31	<u>\$ 18,532</u>	<u>\$ 1,000</u>	<u>\$ 19,532</u>
<u>At December 31, 2019</u>			
Cost	\$ 37,519	\$ 1,650	\$ 39,169
Accumulated amortisation	( 18,987)	( 650)	( 19,637)
	<u>\$ 18,532</u>	<u>\$ 1,000</u>	<u>\$ 19,532</u>

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2020	2019
Overhead	\$ 205	\$ 32
Selling expenses	962	42
Administrative expenses	10,359	11,318
Research and development expenses	2,385	183
	<u>\$ 13,911</u>	<u>\$ 11,575</u>

(9) Other non-current assets

	December 31, 2020	December 31, 2019
Prepayments for construction of business facilities	\$ 994,136	\$ 1,649,432
Guarantee deposits paid	28,794	27,322
Other non-current assets	13,473	1,551
	<u>\$ 1,036,403</u>	<u>\$ 1,678,305</u>

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

Items	December 31, 2020	December 31, 2019
Financial assets - current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 134,893	\$ -
Valuation adjustment	509	-
	<u>\$ 135,402</u>	<u>\$ -</u>
Financial liabilities - current items:		
Corporate bonds		
Call and put options of corporate bonds	\$ -	(\$ 261)
Valuation adjustment	-	261
	<u>\$ -</u>	<u>\$ -</u>

- A. The Company's financial assets at fair value through profit or loss were not pledged to others as collateral.
- B. Amount recognised in net gain in relation to investments in equity instruments was \$509 for the year ended December 31, 2020. The Company had no investments in equity instruments for the year ended December 31, 2019.
- C. Amounts recognised in net gain in relation to financial liabilities at fair value through profit or loss are \$0 and \$125 for the years ended December 31, 2020 and 2019, respectively.

(11) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salaries and bonuses payable	\$ 261,730	\$ 332,554
Employee bonus payable	250,878	252,947
Payable on machinery and equipment	17,445	99,174
Others	98,416	103,726
	<u>\$ 628,469</u>	<u>\$ 788,401</u>

(12) Bonds payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bonds payable	\$ 435,400	\$ 435,400
Less: Discount on bonds payable	( 1,132)	( 4,011)
	434,268	431,389
Less: Current portion or exercise of put options	( 434,268)	-
	<u>\$ -</u>	<u>\$ 431,389</u>

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:

- (a) 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.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) 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's 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.

- (f) 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. For the year ended December 31, 2020, there were no bonds converted into common shares.

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 IFRS 9 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) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate	Collateral
Bank borrowings			
Unsecured borrowings	\$ <u>1,076,334</u>	0.58%~2.80%	None

Type of borrowings	December 31, 2019	Interest rate	Collateral
Bank borrowings			
Unsecured borrowings	\$ <u>200,000</u>	1.07%	None

Interest expense recognised in profit or loss amounted to \$9,557 and \$331 for the years ended December 31, 2020 and 2019, respectively.

(14) Pensions

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

B. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019 were \$28,441 and \$24,753, respectively.

(15) Share-based payment

A. For the years ended December 31, 2020 and 2019, the Company's share-based payment arrangements were as follows:

Type of arrangement	Issue date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2016.07.01	2,000	6 years	Employees with 1 service year are entitled to 30% Employees with 2 service years are entitled to 60% Employees with 3 service years are entitled to 100%
Restricted stocks to employees	2016.07.20	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%
Restricted stocks to employees	2019.09.30	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:

	Years ended December 31,			
	2020		2019	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	718	\$ 100	1,318	\$ 100
Options expired	( 44)	100	( 53)	100
Options exercised	( 625)	100	( 547)	100
Options outstanding at the end of the year	<u>49</u>	100	<u>718</u>	100
Options exercisable at the end of the year	<u>49</u>	100	<u>22</u>	100

	Years ended December 31,			
	2020		2019	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	1,827	\$ 448	1,948	\$ 448
Options expired	( 135)	448	( 121)	448
Options outstanding at the end of the year	<u>1,692</u>	448	<u>1,827</u>	448
Options exercisable at the end of the year	<u>717</u>	448	<u>-</u>	-

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2020 and 2019 was \$248.30 and \$395.18, respectively.

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

		December 31, 2020		December 31, 2019	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2016.07.01	2022.06.30	49	\$ 100	718	\$ 100
2018.05.15	2024.05.14	1,692	448	1,827	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	Issue date	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	1.50	-	0.605~ 0.719	\$ 41.55~ 45.10
Restricted stocks to employees	2016.07.20	\$ 139.00	\$ 10	32.73	-	-	0.52	\$ 111.65
Employee stock options	2018.05.15	\$ 440.00	\$ 448	26.10~ 30.25	3.37	-	0.5636~ 0.6814	\$ 63.16~ 106.15
Restricted stocks to employees	2019.09.30	\$ 282.00	\$ 10	-	0.25	-	-	\$ 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:

	Years ended December 31,	
	2020	2019
Equity-settled	\$ 116,791	\$ 157,483

G. On June 26, 2019, the Company issued 900 thousand shares of employee restricted ordinary shares as approved by the regulatory authority. 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 the aforementioned details. Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

#### (16) Share capital

A. As of December 31, 2020, the Company's authorised capital was \$2,000,000, and the paid-in capital was \$1,182,202, 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)

	2020		
	Private placement of ordinary share	Unrestricted shares	Total
At January 1	-	119,617	119,617
Employee stock options exercised	-	625	625
Restricted stocks to employees - stocks redeemed	- (	22) (	22)
Retirement of treasury shares	- (	2,000) (	2,000)
At December 31	-	118,220	118,220

	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 (including restricted stocks to employees)	-	1,476	1,476
Conversion of corporate bonds	-	518	518
At December 31	-	119,617	119,617

B. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2020	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	1,016,000	\$ 226,857

There was no such transaction as of December 31, 2019.

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- C. To enhance the Company's credit rating and the stockholders' equity, on February 6, 2020, the Board of Directors of the Company during their meeting resolved to proceed with repurchasing of its own shares from the over-the-counter market in the amount of 2 million shares within 2 months from the reported date. On April 30, 2020, the Board of Directors of the Company



resolved to retire all the repurchased shares. As of December 31, 2020, all the repurchased shares have been retired.

- D. To be reissued to employees, on March 23, 2020, the Board of Directors of the Company during their meeting resolved to proceed with repurchasing of its own shares from the over-the-counter market in the amount of 3 million shares within 2 months from the reported date. Treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the five-year period are to be retired. As of December 31, 2020, the Company has repurchased 1,016 thousand shares, considering the efficiency of capital utilisation and the employees' willingness to subscribe for the shares, the Company will not repurchase more shares.

(17) Capital surplus

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

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.
- B. The Company's dividend policy is summarised below: as the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans, and cash dividends shall account for at least 10% of the total dividends distributed. However, if the Company has sufficient retained earnings and capital, the Company may increase cash dividends in proportion to total dividends.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. Special reserve
- (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

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

E. On June 18, 2020, the shareholders at the shareholders' meeting approved the distribution of dividends from the 2019 earnings in the amount of \$1,040,622, with cash dividends of \$8.88 (in dollars) per share. On March 8, 2021, the Board of Directors of the Company approved the distribution of dividends from the 2020 earnings in the amount of \$1,040,755, with cash dividends of \$8.88 (in dollars) per share.

(19) Other equity items

	2020			
	Unrealized gains (losses) on valuation	Currency translation	Unearned employee compensation	Total
At January 1	(\$ 11,576)	(\$ 314,133)	(\$ 95,417)	(\$ 421,126)
Currency translation differences	-	81,009	-	81,009
Compensation cost of share-based payments	-	-	83,048	83,048
At December 31	<u>(\$ 11,576)</u>	<u>(\$ 233,124)</u>	<u>(\$ 12,369)</u>	<u>(\$ 257,069)</u>

	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	-	( 157,363)	-	( 157,363)
Compensation cost of share-based payments	-	-	( 90,992)	( 90,992)
At December 31	<u>(\$ 11,576)</u>	<u>(\$ 314,133)</u>	<u>(\$ 95,417)</u>	<u>(\$ 421,126)</u>

Amounts that the Company recognised in other comprehensive income due to the change in fair value and the amounts that the Company transferred from other equity to profit and loss for the years ended December 31, 2020 and 2019 are all \$0.

(20) Operating revenue

	Years ended December 31,	
	2020	2019
Revenue from contracts with customers	<u>\$ 6,068,526</u>	<u>\$ 6,332,067</u>
A. Disaggregation of revenue from contracts with customers		

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

<u>Year ended December 31, 2020</u>	<u>Europe and America region</u>	<u>Asia Pacific region</u>	<u>Total</u>
Timing of revenue			
At a point in time	<u>\$ 418,188</u>	<u>\$ 5,650,338</u>	<u>\$ 6,068,526</u>
<u>Year ended December 31, 2019</u>	<u>Europe and America region</u>	<u>Asia Pacific region</u>	<u>Total</u>
Timing of revenue			
At a point in time	<u>\$ 432,285</u>	<u>\$ 5,899,782</u>	<u>\$ 6,332,067</u>

B. Contract assets and liabilities

As of December 31, 2020, December 31, 2019 and January 1, 2019, the Company has not recognized any revenue-related contract assets, while the Company has recognized contract liabilities below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract liabilities – advance sales receipts	<u>\$ 144,143</u>	<u>\$ 698,191</u>	<u>\$ 116,392</u>

(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:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	<u>\$ 104,786</u>	<u>\$ 223,376</u>

(21) Interest income

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	<u>\$ 374</u>	<u>\$ 3,484</u>

(22) Other income

	Years ended December 31,	
	2020	2019
Service income	\$ 65,755	\$ 83,265
Rent income	3,096	2,286
Dividend income	149	242
Other income - others	35,047	153,069
	<u>\$ 104,047</u>	<u>\$ 238,862</u>

(23) Other gains and losses

	Years ended December 31,	
	2020	2019
Gains on disposal of property, plant and equipment	\$ 180	\$ -
Gains arising from lease modifications	42	-
Gains on financial assets (liabilities) at fair value through profit or loss	509	125
Foreign exchange losses	( 1,088)	( 8,475)
Miscellaneous disbursements	( 229)	( 293)
	<u>(\$ 586)</u>	<u>(\$ 8,643)</u>

(24) Finance costs

	Years ended December 31,	
	2020	2019
Interest expense		
Bank borrowings	\$ 9,557	\$ 331
Convertible bonds	2,879	3,035
Leases	573	694
	<u>\$ 13,009</u>	<u>\$ 4,060</u>

(25) Expenses by nature

	Years ended December 31,	
	2020	2019
Employee benefit expense	\$ 966,785	\$ 1,178,817
Processing fee	108,244	236,509
Depreciation charges on property, plant and equipment	227,203	176,572
Operating lease payments	29,819	41,558
Amortisation charges on intangible assets	13,911	11,575
	<u>\$ 1,345,962</u>	<u>\$ 1,645,031</u>

(26) Employee benefit expense

	Years ended December 31,	
	2020	2019
Wages and salaries	\$ 719,975	\$ 898,623
Employee stock options (Note)	116,791	157,483
Labour and health insurance fees	62,104	55,928
Pension costs	28,441	24,753
Other personnel expenses	39,474	42,030
	<u>\$ 966,785</u>	<u>\$ 1,178,817</u>

Note: It was equity-settled.

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

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$163,401 and \$175,019, respectively; while directors' and supervisors' remuneration was accrued at \$4,200 and \$4,200, 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 should not be higher than 3% of distributable profit of current year for the year ended December 31, 2020. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$163,401 and \$4,200, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2019 as resolved by the Board of Directors were \$175,019 and \$4,200, respectively, and were in agreement with those amounts recognised in the 2019 financial statements.

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

(27) Income tax

A. Income tax expense

Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 315,996	\$ 226,954
Tax on undistributed surplus earnings	30,827	34,763
Effect from investment tax credits	( 30,827)	( 34,763)
Prior year income tax overestimation	( 49,939)	( 35,817)
Total current tax	<u>266,057</u>	<u>191,137</u>
Deferred tax:		
Origination and reversal of temporary differences	( 27,708)	17,519
Total deferred tax	<u>( 27,708)</u>	<u>17,519</u>
Income tax expense	<u>\$ 238,349</u>	<u>\$ 208,656</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 415,427	\$ 444,957
Effect from items not recognised in accordance with tax regulation	( 127,139)	( 200,484)
Effect from investment tax credits	( 30,827)	( 34,763)
Prior year income tax overestimation	( 49,939)	( 35,817)
Tax on undistributed earnings	<u>30,827</u>	<u>34,763</u>
Income tax expense	<u>\$ 238,349</u>	<u>\$ 208,656</u>

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

2020			
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Allowance for obsolescence and decline in market value of inventories	\$ 6,991	(\$ 757)	\$ 6,234
Unrealised exchange loss	-	638	638
Unrealised gross profit	27,208	25,678	52,886
	<u>\$ 34,199</u>	<u>\$ 25,559</u>	<u>\$ 59,758</u>
-Deferred tax liabilities:			
Unrealised exchange gain	(\$ 2,149)	\$ 2,149	\$ -
	<u>(\$ 2,149)</u>	<u>\$ 2,149</u>	<u>\$ -</u>
	<u>\$ 32,050</u>	<u>\$ 27,708</u>	<u>\$ 59,758</u>
2019			
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Allowance for obsolescence and decline in market value of inventories	\$ 14,104	(\$ 7,113)	\$ 6,991
Unrealised gross profit	37,083	( 9,875)	27,208
	<u>\$ 51,187</u>	<u>(\$ 16,988)</u>	<u>\$ 34,199</u>
-Deferred tax liabilities:			
Unrealised exchange gain	(\$ 1,618)	(\$ 531)	(\$ 2,149)
	<u>(\$ 1,618)</u>	<u>(\$ 531)</u>	<u>(\$ 2,149)</u>
	<u>\$ 49,569</u>	<u>(\$ 17,519)</u>	<u>\$ 32,050</u>

D. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(28) Earnings per share

Year ended December 31, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,838,792	117,226	\$ 15.69
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,838,792		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	905	1,440	
Employee stock option	-	41	
Employees' compensation	-	771	
Restricted stocks	-	228	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,839,697	119,706	\$ 15.37
Year ended December 31, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 2,016,129	118,441	\$ 17.02
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 2,016,129		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	3,209	1,400	
Employee stock option	-	929	
Employees' compensation	-	560	
Restricted stocks	-	91	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,019,338	121,421	\$ 16.63

Note : For the year ended December 31, 2019, the weighted average circulation of shares has been



retrospectively adjusted to the number of shares of the Company's stock dividend in 2019.

(29) Supplemental cash flow information

A. Investing activities with partial cash payments

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 19,078	\$ 292,205
Add: Opening balance of payable on equipment	99,174	58,370
Less: Ending balance of payable on equipment	(17,445)	(99,174)
Cash paid during the year	<u>\$ 100,807</u>	<u>\$ 251,401</u>

B. Financing activities with no cash flow effects

	Years ended December 31,	
	2020	2019
Convertible bonds being converted to capital stocks	\$ -	\$ 66,052

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
GENE & NEXT INC. (GENE & NEXT)	Subsidiary
SHANGHAI BIOFUNCTION CO., LTD. (BIOFUNCTION)	Subsidiary
TCI BIOTECH LLC(TCI BIOTECH)	Subsidiary
TCI JAPAN CO., LTD. (TCI JAPAN)	Subsidiary
SHANGHAI BIOTRADE CO., LTD. (BIOTRADE)	Second-tier subsidiary
SHANGHAI BIOSCIENCE CO., LTD. (BIOSCIENCE)	Second-tier subsidiary
SHANGHAI BIOCOSME CO., LTD. (BIOCOSME)	Second-tier subsidiary
GLUX HK LTD. TAIWAN BRANCH. (GLUX HK)	Second-tier subsidiary
TCI LIVING CO., LTD. (TCI LIVING)	Second-tier subsidiary
(Former name is SBI CO., LTD.)	

(2) Significant related party transactions

A. Operating revenue:

	Years ended December 31,	
	2020	2019
Sales of goods:		
Subsidiary		
BIOTRADE	\$ 2,022,416	\$ 1,296,483
BIOFUNCTION	1,741,026	3,150,690
TCI BIOTECH LLC	519,730	148,431
Other	128,393	193,581
	<u>\$ 4,411,565</u>	<u>\$ 4,789,185</u>

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

B. Purchases:

	Years ended December 31,	
	2020	2019
Purchases of goods:		
Subsidiary		
TCI JAPAN	\$ 138,447	\$ 387,524
BIOTRADE	86,544	136,677
Other	86,641	70,141
	<u>\$ 311,632</u>	<u>\$ 594,342</u>

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

C. Service and rent revenue: (shown as 'other income' )

	Years ended December 31,	
	2020	2019
Service revenue:		
Subsidiary		
BIOFUNCTION	\$ 63,715	\$ 81,225
Other	2,040	2,040
Rent revenue:		
Subsidiary		
Other	2,286	2,286
Other income - others		
Other	5,089	97,222
	<u>\$ 73,130</u>	<u>\$ 182,773</u>

Service revenue pertain to providing human resources and operating management assistance, R&D services and rights and patents to subsidiaries. Rent revenue pertain to leasing offices to subsidiaries and the rental is determined in accordance with mutual agreements and paid on a monthly basis.

D. Service expenses: (shown as 'operating cost' and 'operating expense' )

	Years ended December 31,	
	2020	2019
Purchases of services:		
Subsidiary		
GENE & NEXT	\$ 84,704	\$ 86,754
Other	616	483
	<u>\$ 85,320</u>	<u>\$ 87,237</u>

Service expense pertain to consulting services such as drug inspection, clinical trial and registration guidance provided by subsidiaries.

E. Receivables from related parties:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable:		
Subsidiary		
TCI BIOTECH	\$ 221,642	\$ 58,807
BIOTRADE	134,029	239,654
BIOFUNCTION	70,960	-
TCI LIVING	46,721	-
TCI JAPAN	33,967	43,578
BIOSCIENCE	29,356	41,014
Other	2,558	20,262
	<u>539,233</u>	<u>403,315</u>
Other receivables:		
Subsidiary		
BIOFUNCTION	\$ 1,206	\$ 66,140
Other	6,897	1,233
	<u>8,103</u>	<u>67,373</u>
	<u>\$ 547,336</u>	<u>\$ 470,688</u>

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

There are no allowances for uncollectible accounts held against receivables from related parties.

F. Payables to related parties:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Subsidiary		
Other	\$ 127,685	\$ 144,742

Payables to related parties are incurred from purchases and expired two months after the purchase date and do not have collateral nor bear interests.

G. Other payables to related parties:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other payables:		
Subsidiary		
Other	\$ 13,321	\$ 23,948

Other payables to related parties are incurred from services received.

H. Contract liabilities:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Contract liabilities:		
Subsidiary		
BIOFUNCTION	\$ <u>-</u>	\$ <u>568,402</u>

Contract liabilities from related parties are mainly advance sales receipts from related parties.

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 105,052	\$ 76,473
Share-based payments	92,371	143,002
	<u>\$ 197,423</u>	<u>\$ 219,475</u>

8. PLEDGED ASSETS

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

	<u>Book value</u>		
<u>Pledged asset</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Purpose</u>
Property, plant and equipment	\$ 1,605,479	\$ 394,890	Short-term and long-term borrowings
Current financial assets amortised at cost	159,953	-	Short-term borrowings
	<u>\$ 1,765,432</u>	<u>\$ 394,890</u>	

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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	\$ <u>286,090</u>	\$ <u>566,365</u>

B. As of December 31, 2020 and 2019, the Company's total unused letters of credit was \$22,072 and \$25,685, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Company acquired ordinary shares of MAXIGEN BIOTECH INC. as resolved by the Board of Directors on March 8, 2021 according to the Regulations Governing Public Tender Offers for Securities of Public Companies and relating regulations to integrate the resources and strengthen the

competitiveness of the two corporations in the future.

## 12. OTHERS

### (1) Capital management

The Company's objectives when managing capital are based on the Company'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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 135,402</u>	<u>\$ -</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 23,568</u>	<u>\$ 23,568</u>
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 507,239	\$ 1,025,245
Financial assets at amortised cost	176,953	-
Notes receivable	15,653	2,940
Accounts receivable	207,976	221,091
Accounts receivable-related parties	539,233	403,315
Other receivables	21,316	12,871
Other receivables-related parties	8,103	67,373
Guarantee deposits paid	28,794	27,322
	<u>\$ 1,505,267</u>	<u>\$ 1,760,157</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,076,334	\$ 200,000
Notes payable	1,350	2,520
Accounts payable	534,154	711,117
Accounts payable-related parties	127,685	144,742
Other accounts payable	628,469	788,401
Other accounts payable-related parties	13,321	23,948
Corporate bonds payable (including current portion)	434,268	431,389
Long-term borrowings (including current portion)	3,980	-
	<u>\$ 2,819,561</u>	<u>\$ 2,302,117</u>
Lease liability	<u>\$ 27,012</u>	<u>\$ 41,938</u>

#### B. Financial risk management policies

Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company'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 Company 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 Company'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)	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB:NTD	\$ 162,060	4.3770	\$ 709,337
USD:NTD	20,486	28.4800	583,441
EUR:NTD	4,287	35.0200	150,131
JPY:NTD	436,788	0.2763	120,685
SGD:NTD	1,604	21.5600	34,582
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB:NTD	\$ 73,856	4.3770	\$ 323,268
JPY:NTD	467,516	0.2763	129,175
USD:NTD	10,168	28.4800	289,585
EUR:NTD	1,657	35.0200	58,028
(Foreign currency: functional currency)	December 31, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB:NTD	\$ 211,561	4.3050	\$ 910,770
USD:NTD	7,682	29.9800	230,306
JPY:NTD	525,748	0.2760	145,106
SGD:NTD	2,578	22.2800	57,438
EUR:NTD	1,545	33.5900	51,897
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB:NTD	\$ 45,129	4.3050	\$ 194,280
JPY:NTD	535,298	0.2760	147,742
USD:NTD	2,038	29.9800	61,099
EUR:NTD	1,528	33.5900	51,326

- iii. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to \$1,088 and \$8,475, respectively.
- iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2020				
(Foreign currency: functional currency)	Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
RMB:NTD	1%	\$ 7,093	\$	-
USD:NTD	"	5,834		-
EUR:NTD	"	1,501		-
JPY:NTD	"	1,207		-
SGD:NTD	"	346		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
RMB:NTD	1%	\$ 3,233	\$	-
JPY:NTD	"	1,292		-
USD:NTD	"	2,896		-
EUR:NTD	"	580		-

Year ended December 31, 2019				
(Foreign currency: functional currency)	Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Monetary items</u>				
RMB:NTD	1%	\$ 9,108	\$	-
USD:NTD	"	2,303		-
JPY:NTD	"	1,451		-
SGD:NTD	"	574		-
EUR:NTD	"	519		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
RMB:NTD	1%	\$ 1,943	\$	-
JPY:NTD	"	1,477		-
USD:NTD	"	611		-
EUR:NTD	"	513		-

#### Price risk

- i. The Company'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 Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares issued by the domestic



or foreign 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, profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$1,354 and \$0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$236 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 Company's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2020 and 2019, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars, United States dollars and Chinese Renminbi.
- ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 0.1% with all other variables held constant, profit, net of tax for the years ended December 31, 2020 and 2019 would have increased/decreased by \$864 and \$160, 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 Company 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 Company manages their credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, each local entity in the Company 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 Company 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 Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

- v. The Company classifies customers' accounts receivable in accordance with credit risk. The Company applies the modified approach using loss rate methodology to estimate expected credit loss.
- vi. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2020 and 2019, the loss rate methodology is as follows:

	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
<u>At December 31, 2020</u>					
Expected loss rate	0%~0.23%	0%~20.23%	0%~100%	100.00%	
Total book value	\$ 184,513	\$ 40,181	\$ 30,767	\$ -	\$ 255,461
Loss allowance	\$ -	\$ 1,065	\$ 30,767	\$ -	\$ 31,832
	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
<u>At December 31, 2019</u>					
Expected loss rate	0%~0.23%	0%~20.23%	0%~100%	100.00%	
Total book value	\$ 165,608	\$ 88,334	\$ 1,921	\$ -	\$ 255,863
Loss allowance	\$ 381	\$ 29,530	\$ 1,921	\$ -	\$ 31,832

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

	<u>2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 31,832	\$ -
Provision for impairment	-	-
At December 31	<u>\$ 31,832</u>	<u>\$ -</u>
	<u>2019</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 31,832	\$ -
Provision for impairment	-	-
At December 31	<u>\$ 31,832</u>	<u>\$ -</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company'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 Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- ii. As of December 31, 2020 and 2019, the Company has undrawn borrowing facilities of \$8,781,646 and \$1,912,077, respectively.

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

Non-derivative financial liabilities:

December 31, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	\$ 1,076,334	\$ -	\$ -
Notes payable	1,350	-	-
Accounts payable (including related parties)	661,839	-	-
Other payables (including related parties)	641,790	-	-
Lease liability	12,494	9,020	7,740
Long-term borrowings	-	-	3,980
Convertible bonds	439,820	-	-

Non-derivative financial liabilities:

December 31, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	\$ 200,000	\$ -	\$ -
Notes payable	2,520	-	-
Accounts payable (including related parties)	855,859	-	-
Other payables (including related parties)	812,349	-	-
Lease liability	14,594	11,817	16,759
Convertible bonds	-	439,820	-

(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 Company'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 Company'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:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 135,402	\$ -	\$ -	\$ 135,402
Financial assets at fair value through other comprehensive income				
Equity securities	1,196	-	22,372	23,568
	<u>\$ 136,598</u>	<u>\$ -</u>	<u>\$ 22,372</u>	<u>\$ 158,970</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Call and put options of corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 1,196</u>	<u>\$ -</u>	<u>\$ 22,372</u>	<u>\$ 23,568</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Call and put options of corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

	<u>Listed shares</u>
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 Company'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 Company'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 Company 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 Company's credit quality.
- D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- E. For the years ended December 31, 2020 and 2019, no Level 3 financial instrument was changed.
- F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.
- G. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 22,372	Discounted cash flow	Long-term revenue growth rate	15%	The higher the long- term revenue growth rate, the higher the fair value;
			Weighted average cost of capital	9.41%	the higher the discount rate, the lower the fair value.
	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 22,372	Discounted cash flow	Long-term revenue growth rate	15%	The higher the long- term revenue growth rate, the higher the fair value;
			Weighted average cost of capital	9.41%	the higher the discount rate, the lower the fair value.

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

		December 31, 2020					
				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

		December 31, 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%	\$ -	\$ -	\$ 1,119	\$ 1,119

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- 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 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

None.



TCI CO., LTD.

Loans to others

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2020 (Note 3)	Balance at December 31, 2020	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for uncollectible accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	SHANGHAI BIOFUNCTION CO., LTD.	TCI CO., LTD.	Other receivables - related parties	Y	\$ 510,600	\$ 510,600	\$ -	4.35%	2	\$ -	For operating capital	\$ -	None	\$ -	\$ 1,035,563	\$ 1,035,563	Notes 5 and 6
2	SHANGHAI BIOSCIENCE CO., LTD.	TCI CO., LTD.	Other receivables - related parties	Y	340,400	340,400	-	4.35%	2	-	For operating capital	-	None	-	387,611	387,611	Notes 5 and 6

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

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

Note 2: Fill in the name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2020. The amount is calculated at the closing rate of RMB\$1 : NTD\$4.3770, the exchange rate used in original transaction shall be adopted if there was no movement.

Note 4: (1) For entities having business transaction with the Company, limit on loans granted to a single party is the higher value of purchasing and selling during the most recent year or during the current year as of the date of financing.

(2) For nature of loan pertaining to short-term financing, limit on loans granted to a single party is 30% of the Company's net assets based on the latest financial statements.

Note 5: For short-term financing with other entities, ceiling on total loans granted by the Company's subsidiary to others is 30% of the subsidiary's net assets based on the latest financial statements,  
and limit on loans granted by the Company's subsidiary to a single party is 30% of the subsidiary's net assets based on the latest financial statements.

Note 6: The amounts were approved by the Board of Directors.

TCI CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number ( Note 1 )	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor ( Note 2 )	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary ( Note 4 )	Provision of endorsements/ guarantees by subsidiary to parent company ( Note 4 )	Provision of endorsements/ guarantees to the party in Mainland China ( Note 4 )	Footnote
0	TCI CO., LTD.	TCI HK LIMITED	2	\$ 1,381,756	\$ 1,400,000	\$ 1,000,000	\$ -	\$ -	14.47	\$ 3,454,391	Y	N	N	Note 3

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/ guaranteed subsidiary.

(3)The Endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/ guaranteed company.

(4)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Limit on endorsements/guarantees provided for a single party is 20% of the Company's net assets based on the latest financial statements.

Ceiling on total amount of endorsements/guarantees provided to others is 50% of the Company's net assets based on the latest financial statements.

Note 4: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 5: On July 24, 2020, the Board of Directors of the Company resolved to adjust the endorsement/guarantee amount from \$1,400,000 to \$1,000,000.

## TCI CO., LTD.

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

December 31, 2020

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
TCI CO., LTD.	BILLION ELECTRIC CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	125,039	\$ 1,196	0.13	\$ 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	9.84	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.	NIPPI INC	None	Financial assets at fair value through profit or loss - current	66,400	70,175	2.30	70,175	
TCI CO., LTD.	MAXIGEN BIOTECH INC.	None	Financial assets at fair value through profit or loss - current	1,957,000	44,815	2.82	44,815	
TCI CO., LTD.	SYNGEN BIOTECH CO., LTD.	None	Financial assets at fair value through profit or loss - current	189,000	20,412	0.70	20,412	

## 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

Year ended December 31, 2020

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	Subsidiary	(Sales)	\$ 2,022,416	( 33.33)	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.	\$ 134,029	17.57	
TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	Subsidiary	(Sales)	1,741,026	( 28.69)	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.	70,960	9.30	
TCI CO., LTD.	TCI BIOTECH LLC	Subsidiary	(Sales)	519,730	( 8.56)	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.	221,642	29.05	
TCI CO., LTD.	TCI JAPAN CO., LTD.	Subsidiary	Purchases	138,447	4.03	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.	( 28,000)	( 4.22)	

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

December 31, 2020

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected	Allowance for	
					Amount	Action taken	subsequent to the balance sheet date		doubtful accounts
TCI CO., LTD.	SHANGHAI BIDTRADE CO., LTD	Subsidiary	Accounts receivable	\$ 134,029	10.82	-	-	\$ 134,029	\$ -
TCI CO., LTD.	TCI BIOTECH LLC	Subsidiary	Accounts receivable	221,642	3.71	-	-	221,642	-

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  
Year ended December 31, 2020

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
0	TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	1	Sales of goods	\$ 2,022,416	The prices and terms of sales and purchases are available to third parties.	24.59
0	TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	1	Accounts receivable	134,029	The prices and terms of sales and purchases are available to third parties.	1.12
0	TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	1	Sales of goods	1,741,026	The prices and terms of sales and purchases are available to third parties.	21.17
0	TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	1	Accounts receivable	70,960	The prices and terms of sales and purchases are available to third parties.	0.59
0	TCI CO., LTD.	TCI BIOTECH LLC	1	Sales of goods	519,730	The prices and terms of sales and purchases are available to third parties.	6.32
0	TCI CO., LTD.	TCI BIOTECH LLC	1	Accounts receivable	221,642	The prices and terms of sales and purchases are available to third parties.	1.85
0	TCI CO., LTD.	TCI JAPAN CO., LTD.	1	Purchases	138,447	The prices and terms of sales and purchases are available to third parties.	1.68

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  
Year ended December 31, 2020

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
TCI CO., LTD.	TCI FIRSTEK CORP.	Taiwan	Wholesale and retail of health foods and cosmetics	\$ 43,685	\$ 43,685	238,296,886	100.00	\$ 3,106,833	\$ 435,916	\$ 435,916	None
TCI CO., LTD.	GENE & NEXT INC.	Taiwan	Research and development of biotechnology and genetics	64,250	64,250	9,541,125	61.19	127,218	35,746	21,873	None
TCI CO., LTD.	TCI HK LIMITED	Hong Kong	Trading health foods and cosmetics	21,046	21,046	-	100.00	13,540	503	503	None
TCI CO., LTD.	TCI BIOTECH LLC	U.S.A.	Trading health foods and cosmetics	8,778	8,778	-	100.00	12,233	9,161	9,161	None
TCI CO., LTD.	BIOCOSME CO., LTD.	Taiwan	Trading health foods and cosmetics	5,000	5,000	500,000	100.00	5,006	-	-	None
TCI CO., LTD.	TCI JAPAN CO., LTD.	JAPAN	Trading health foods and cosmetics	15,626	15,626	5,500	100.00	26,257	5,157	5,157	None
GENE & NEXT INC.	GLUX HK LIMITED	Hong Kong	Trading health foods and cosmetics	29,542	29,542	-	100.00	442	556	340	None
GENE & NEXT INC.	TCI LIVING CO., LTD.	Taiwan	Trading health foods and cosmetics	43,175	43,175	2,760,000	79.31	32,670	279	171	None
TCI LIVING CO., LTD.	SBI GROUP HK LIMITED	Hong Kong	Trading health foods and cosmetics	-	-	-	100.00	3,835	3	1	None
TCI CO., LTD.	PT TCI BIOTEK INDO	Indonesia	Trading health foods and cosmetics	-	-	-	100.00	92	10	10	Note 3
TCI CO., LTD.	TCI BIOTECH NETHERLANDS B.V.	Netherlands	Trading health foods and cosmetics	-	-	-	100.00	( 1,126) (	( 4,459) (	( 4,459) (	None
TCI CO., LTD.	SMY INTERENT OF PACKAGE CO., LTD.	Taiwan	Producing, manufacturing and selling of packaging container	-	-	190,000	19.00	1,900	1	-	None
TCI CO., LTD.	QUANTUM BIOLOGY INC.	Taiwan	Research and development of biotechnology	-	-	3,000,000	100.00	21,841 (	( 8,158) (	( 8,158) (	None

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, 2020' 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, 2020' 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, 2020' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: There was no capital injection as of December 31, 2020.

TCI CO., LTD.  
Information on investments in Mainland China  
Year ended December 31, 2020

Table 8

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, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020		Footnote
					Remitted to Mainland China	Remitted back to Taiwan								
SHANGHAI BIOTRADE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetic manufacturing	\$ 14,525	Note 3	\$ 15,440	\$ -	\$ -	\$ 15,440	\$ 444,661	100.00	\$ 444,661	\$ 3,396,245	\$ 289,047		Note 5 Note 6
SHANGHAI BIOSCIENCE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	26,262	Note 2	-	-	-	-	407,606	100.00	407,606	3,147,764	-		Note 5 Note 6
SHANGHAI BIOCOSME CO., LTD.	Producing cosmetics	144,441	Note 2	-	-	-	-	35,498	100.00	35,498	186,247	-		Note 5 Note 6
SHANGHAI BIOFUNCTION CO., LTD.	Producing health foods	1,148,512	Note 1	438,307	-	-	438,307	602,592	100.00	602,592	3,989,055	-		Note 5 Note 6
BIO DYNAMIC LABORATORIES INC.	Trading health foods and cosmetics	28,958	Note 3	-	-	-	-	-	48.53	-	2,825	-		Note 5 Note 6
SHANGHAI BIOTECHGENE TECHNOLOGY CO., LTD.	Research and development of biotechnology and genetics	43,770	Note 4	-	-	-	-	438	100.00	438	44,603	-		Note 5 Note 6
TCI LIVING SHANGHAI CO., LTD.	Trading health foods and cosmetics	2,848	Note 3	-	-	-	- (	439)	48.53 (	213)	1,256	-		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\$168,700)

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 audited and attested by R.O.C. parent company's CPA.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	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	\$ 712,000	\$ 4,553,042
TCI FIRSTEK CORP.	15,440	15,440	2,022,760

Note 6 : The numbers in this table are expressed in New Taiwan dollars, except for: assets and liabilities presents at RMB\$1 : NTD\$4.3770, USD\$1 : NTD\$28.4800; income presents at RMB\$1 : NTD\$4.2813, USD\$1 : NTD\$29.5332;

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

Year ended December 31, 2020

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing					Others
	Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Maximum balance during the year ended	Balance at December 31, 2020	Interest rate	Interest during		
									December 31, 2020			December 31, 2020		
SHANGHAI BIOFUNCTION CO., LTD.	\$ 1,741,026	28.69	\$ -	-	\$ 70,960	9.30	\$ -	-	\$ -	\$ -	-	\$ -		
SHANGHAI BIOTRADE CO., LTD.	2,022,416	33.33	-	-	134,029	17.57	-	-	-	-	-	-		

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.

TCI CO., LTD.  
Major shareholders information  
December 31, 2020

Table 10

Name of major shareholders	Shares	
	Number of shares held	Ownership
DYDO GROUP HOLDINGS INC.	9,593,216	8.11%
JIE TIAN LTD.	7,764,000	6.57%

TCI Co., Ltd

President: Yung-hsiang Lin





● PHYSICAL SALES OFFICE ● VGO

