

TCI CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2021 AND 2020

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

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, 2021 and 2020, 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, 2021 and 2020, 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 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 Company's 2021 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 2021 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.

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 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 22, 2022

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 591,468	5	\$ 507,239	5
1110	Financial assets at fair value through profit or loss - current	6(2)	131,266	1	135,402	1
1136	Current financial assets at amortised cost	6(4) and 8	-	-	176,953	2
1150	Notes receivable, net	6(5)	14,034	-	15,653	-
1170	Accounts receivable, net	6(5)	296,878	2	207,976	2
1180	Accounts receivable - related parties, net	7	665,422	5	539,233	5
1200	Other receivables		17,059	-	21,316	-
1210	Other receivables - related parties	7	27,502	-	8,103	-
130X	Inventories	6(6)	488,439	4	361,986	3
1410	Prepayments		271,372	2	105,402	1
1470	Other current assets		53,947	1	27,228	-
11XX	Total current assets		<u>2,557,387</u>	<u>20</u>	<u>2,106,491</u>	<u>19</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	30,210	-	23,568	-
1535	Non-current financial assets at amortised cost	6(4) and 8	774,684	6	-	-
1550	Investments accounted for using equity method	6(7)	5,010,822	40	4,698,485	43
1600	Property, plant and equipment	6(8)	3,391,980	27	2,985,462	27
1755	Right-of-use assets	6(9)	14,119	-	26,621	-
1780	Intangible assets	6(10)	13,946	-	13,477	-
1840	Deferred income tax assets	6(29)	28,910	-	59,758	1
1900	Other non-current assets	6(11)	807,788	7	1,036,403	10
15XX	Total non-current assets		<u>10,072,459</u>	<u>80</u>	<u>8,843,774</u>	<u>81</u>
1XXX	Total assets		<u>\$ 12,629,846</u>	<u>100</u>	<u>\$ 10,950,265</u>	<u>100</u>

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TCI CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(14)	\$ 1,448,238	12	\$ 1,076,334	10
2130	Current contract liabilities	6(22)	178,800	2	144,143	1
2150	Notes payable		1,440	-	1,350	-
2170	Accounts payable		528,446	4	534,154	5
2180	Accounts payable - related parties	7	208,678	2	127,685	1
2200	Other payables	6(12)	653,455	5	628,469	6
2220	Other payables - related parties	7	43,943	-	13,321	-
2230	Current income tax liabilities	6(29)	408,585	3	409,022	4
2280	Current lease liabilities		6,806	-	10,533	-
2320	Long-term liabilities, current portion	6(13)	-	-	434,268	4
2399	Other current liabilities, others		32,584	-	49,365	1
21XX	Total current liabilities		<u>3,510,975</u>	<u>28</u>	<u>3,428,644</u>	<u>32</u>
Non-current liabilities						
2540	Long-term borrowings	6(15)	967,510	8	3,980	-
2570	Deferred income tax liabilities	6(29)	5,184	-	-	-
2580	Non-current lease liabilities		7,660	-	16,479	-
2600	Other non-current liabilities	6(7)	22,090	-	1,126	-
25XX	Total non-current liabilities		<u>1,002,444</u>	<u>8</u>	<u>21,585</u>	<u>-</u>
2XXX	Total liabilities		<u>4,513,419</u>	<u>36</u>	<u>3,450,229</u>	<u>32</u>
Equity						
Share capital		6(18)				
3110	Share capital - common stock		1,182,449	9	1,182,202	11
Capital surplus		6(19)				
3200	Capital surplus		2,647,254	21	2,618,432	23
Retained earnings		6(20)				
3310	Legal reserve		744,681	6	598,016	5
3320	Special reserve		244,700	2	325,709	3
3350	Unappropriated retained earnings		3,698,477	29	3,259,603	30
Other equity interest		6(21)				
3400	Other equity interest		(282,347)	(2)	(257,069)	(2)
3500	Treasury shares	6(18)	(118,787)	(1)	(226,857)	(2)
3XXX	Total equity		<u>8,116,427</u>	<u>64</u>	<u>7,500,036</u>	<u>68</u>
3X2X	Total liabilities and equity		<u>\$ 12,629,846</u>	<u>100</u>	<u>\$ 10,950,265</u>	<u>100</u>

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(22) and 7	\$ 5,717,576	100	\$ 6,068,526	100
5000 Operating costs	6(6)(16)(27)(28) and 7	(3,322,349)	(58)	(3,439,476)	(57)
5900 Net operating margin		2,395,227	42	2,629,050	43
5910 Unrealized profit from sales	6(7)	(113,382)	(2)	(264,433)	(4)
5920 Realized profit on from sales	6(7)	264,433	4	136,040	2
5950 Net operating margin		2,546,278	44	2,500,657	41
Operating expenses	6(16)(27)(28)				
6100 Selling expenses		(469,981)	(8)	(270,179)	(4)
6200 General and administrative expenses		(441,800)	(8)	(515,748)	(8)
6300 Research and development expenses		(412,387)	(7)	(397,896)	(7)
6450 Impairment loss determined in accordance with IFRS 9		10,000	-	-	-
6000 Total operating expenses		(1,314,168)	(23)	(1,183,823)	(19)
6900 Operating profit		1,232,110	21	1,316,834	22
Non-operating income and expenses					
7100 Interest income	6(23)	2,014	-	374	-
7010 Other income	6(24) and 7	16,780	-	104,047	1
7020 Other gains and losses	6(25)	150,136	3	(586)	-
7050 Finance costs	6(26)	(21,801)	-	(13,009)	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	468,531	8	669,481	11
7000 Total non-operating income and expenses		615,660	11	760,307	12
7900 Profit before income tax		1,847,770	32	2,077,141	34
7950 Income tax expense	6(29)	(302,012)	(5)	(238,349)	(4)
8200 Profit for the year		\$ 1,545,758	27	\$ 1,838,792	30
Other comprehensive income (loss)					
Components of other comprehensive income that will not be reclassified to profit or loss					
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(21)	\$ 6,642	-	\$ -	-
8330 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(7)(21)	5,977	-	-	-
8361 Financial statements translation differences of foreign operations	6(7)(21)	(50,205)	(1)	81,009	2
8300 Other comprehensive (loss) income for the year		(\$ 37,586)	(1)	\$ 81,009	2
8500 Total comprehensive income for the year		\$ 1,508,172	26	\$ 1,919,801	32
Earnings per share (In dollars)	6(30)				
9750 Basic earnings per share		\$	13.17	\$	15.69
9850 Diluted earnings per share		\$	13.09	\$	15.37

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus, additional paid- in capital	Retained Earnings			Other equity interest			Treasury shares	Total equity
				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		
<u>For the year ended December 31, 2020</u>											
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(21)	-	-	-	-	-	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(17)(18)	6,250	29,856	-	-	-	-	-	-	-	36,106
Share-based payments	6(17)(21)(26)	-	33,743	-	-	-	-	-	83,048	-	116,791
Proceeds from capital reduction of restricted stocks to employees	6(18)	(220)	-	-	-	-	-	-	-	-	(220)
Purchase of treasury shares	6(18)	-	-	-	-	-	-	-	-	(664,895)	(664,895)
Retirement of treasury shares	6(18)	(20,000)	(45,900)	-	-	(372,138)	-	-	-	438,038	-
Balance at December 31, 2020		<u>\$1,182,202</u>	<u>\$2,618,432</u>	<u>\$ 598,016</u>	<u>\$ 325,709</u>	<u>\$3,259,603</u>	<u>(\$ 233,124)</u>	<u>(\$ 11,576)</u>	<u>(\$ 12,369)</u>	<u>(\$ 226,857)</u>	<u>\$7,500,036</u>

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TCI CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings				Other equity interest				Treasury shares	Total equity
		Share capital - common stock	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		
<u>For the year ended December 31, 2021</u>											
Balance at January 1, 2021		\$ 1,182,202	\$ 2,618,432	\$ 598,016	\$ 325,709	\$ 3,259,603	(\$ 233,124)	(\$ 11,576)	(\$ 12,369)	(\$ 226,857)	\$ 7,500,036
Profit for the year		-	-	-	-	1,545,758	-	-	-	-	1,545,758
Other comprehensive income (loss) for the year	6(21)	-	-	-	-	61	(50,205)	12,558	-	-	(37,586)
Total comprehensive income (loss)		-	-	-	-	1,545,819	(50,205)	12,558	-	-	1,508,172
Appropriations of 2020 earnings											
Legal reserve		-	-	146,665	-	(146,665)	-	-	-	-	-
Reversal of special reserve		-	-	-	(81,009)	81,009	-	-	-	-	-
Cash dividends		-	-	-	-	(1,040,756)	-	-	-	-	(1,040,756)
Exercise of employee stock purchase plans	6(17)(18)	280	1,367	-	-	-	-	-	-	-	1,647
Proceeds from capital reduction of restricted stocks to employees	6(18)	(40)	-	-	-	-	-	-	-	-	(40)
Conversion of convertible bonds	6(18)	7	193	-	-	-	-	-	-	-	200
Share-based payments	6(17)(21)	-	18,385	-	-	-	-	-	12,369	-	30,754
Adjustment not proportionately to shareholding ratio		-	8,243	-	-	-	-	-	-	-	8,243
Exercise of employee stock purchase plans		-	366	-	-	-	-	-	-	-	366
Treasury stock transferred to employees	6(18)	-	268	-	-	-	-	-	-	108,070	108,338
Adjustment not proportionately to shareholding ratio		-	-	-	-	(533)	-	-	-	-	(533)
Balance at December 31, 2021		<u>\$ 1,182,449</u>	<u>\$ 2,647,254</u>	<u>\$ 744,681</u>	<u>\$ 244,700</u>	<u>\$ 3,698,477</u>	<u>(\$ 283,329)</u>	<u>\$ 982</u>	<u>\$ -</u>	<u>(\$ 118,787)</u>	<u>\$ 8,116,427</u>

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,847,770	\$ 2,077,141
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(27)	301,433	227,203
Amortisation	6(10)(27)	8,273	13,911
Impairment loss determined in accordance with IFRS 9	6(3)	(10,000)	-
Net gain on financial assets at fair value through profit or loss	6(2)(25)	(37,552)	(509)
Interest expense	6(26)	21,801	13,009
Interest income	6(23)	(2,015)	(374)
Dividend income	6(24)	(3,420)	(149)
Compensation cost arising from employee stock options	6(17)(28)	35,797	116,791
Share of profit of subsidiaries accounted for under equity method	6(7)	(468,531)	(669,481)
Gain on disposal of property, plant and equipment	6(25)	(1,203)	(180)
Increase in investment accounted for using equity method		(118,816)	-
Profit from lease modifications	4(15) and 6(25)	(44)	(42)
Unrealized profit from sales	6(7)	(151,051)	(128,393)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		1,619	(12,713)
Accounts receivable		(78,902)	(13,115)
Accounts receivable - related parties		(126,189)	(135,918)
Other receivables		4,257	(8,445)
Other receivables - related parties		(19,399)	(59,270)
Inventories		(126,453)	(308,455)
Prepayments		(27,880)	(116,551)
Other current assets		(26,719)	(644)
Changes in operating liabilities			
Contract liabilities - current		34,657	(554,048)
Notes payable		90	(1,170)
Accounts payable		(5,708)	(176,963)
Accounts payable - related parties		80,993	(17,057)
Other payables		(665)	(78,203)
Other current liabilities		(16,863)	(18,033)
Other payables - related parties		30,622	(10,627)
Cash inflow generated from operations		1,145,902	1,426,637
Interest received		2,015	374
Dividends received		3,420	149
Interest paid		(21,467)	(9,557)
Income tax paid		(266,417)	(22,041)
Net cash flows from operating activities		<u>863,453</u>	<u>1,395,562</u>

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TCI CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in investments accounted for under equity method	6(7)	(\$ 388,993)	(\$ 35,267)
Earnings distribution of investments accounted for using equity method	6(7)	954,902	-
Increase in current prepayments for investments		(138,375)	-
Acquisition of property, plant and equipment	6(31)	(50,026)	(100,807)
Proceeds from disposal of property, plant and equipment		4,306	416
Acquisition of intangible assets	6(10)	(3,701)	(7,856)
Acquisition of financial assets at fair value through profit or loss	6(2)	(124,789)	(134,893)
Proceeds from disposal of financial assets at fair value		6,113	-
Increase in financial assets at amortised cost	6(4)	(597,731)	(176,953)
Increase in prepayments for purchase of equipment		(408,686)	(653,842)
(Decrease) increase in refundable deposits		7,203	(1,472)
(Increase) decrease in other non-current assets		(156)	(217)
Net cash flows used in investing activities		(739,933)	(1,110,891)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayments of short-term borrowings		(4,423,217)	(3,111,636)
Proceeds from short-term borrowings		4,795,121	3,987,970
Lease liabilities paid	6(9)	(9,080)	(13,360)
Repayment of bonds		(435,200)	-
Proceeds from long-term borrowings		963,530	3,980
Cash dividends paid		(1,040,756)	(1,040,622)
Employee stock options		1,647	36,106
Acquisition of treasury shares	6(18)	-	(664,895)
Unvested redeemed stocks from restricted stocks to employees	6(18)	(40)	(220)
Treasury stock transferred to employees		108,338	-
Payments due to disgorgement		366	-
Net cash flows used in financing activities		(39,291)	(802,677)
Net increase (decrease) in cash and cash equivalents		84,229	(518,006)
Cash and cash equivalents at beginning of year	6(1)	507,239	1,025,245
Cash and cash equivalents at end of year	6(1)	<u>\$ 591,468</u>	<u>\$ 507,239</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, 2021 AND 2020

(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 22, 2022.

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 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
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 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 2022 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 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.	

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 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 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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 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 ~ 16 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 at fair value through profit or loss. 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

None.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 2,500	\$ 2,086
Checking accounts and demand deposits	588,968	665,106
Time deposits	<u>774,684</u>	<u>17,000</u>
	1,366,152	684,192
Less: Shown as 'non-current financial assets at amortised cost'	(774,684)	-
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>\$ 591,468</u>	<u>\$ 507,239</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, 2021 and 2020, the Company recognised time deposits with maturity over 3 months of \$0 and \$176,953, respectively, and shown as 'current financial assets at amortised cost'.
- C. As of December 31, 2021, the bank deposits amounting to \$774,684, were restricted due to the regulation governing the management, utilization, and taxation of repatriated offshore funds reserved in special account, have been transferred to 'non-current financial assets at amortised cost'.
- D. Details of the Company's cash and cash equivalents pledged to others are provided in Note 8.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 144,125	\$ 134,893
Valuation adjustment	(12,859)	509
	<u>\$ 131,266</u>	<u>\$ 135,402</u>

- A. The Company's financial assets at fair value through profit or loss are not pledged to others as collateral.
- B. The Group has recognised net (losses) gains on investment of equity instrument amounting to \$37,552 and \$509 for the years ended December 31, 2021 and 2020, respectively.
- C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Equity instruments		
Listed stocks	\$ 12,604	\$ 12,604
Unlisted stocks	22,540	22,540
	35,144	35,144
Valuation adjustment	(4,934)	(11,576)
	<u>\$ 30,210</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 \$30,210 and \$23,568 as at December 31, 2021 and 2020, respectively.
- B. As at December 31, 2021 and 2020, 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 \$30,210 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).

(4) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
Time deposits	\$ <u> -</u>	\$ <u> 176,953</u>
Non-current items:		
Time deposits	\$ <u> 774,864</u>	\$ <u> -</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	2021	2020
Interest income	\$ <u> 1,724</u>	\$ <u> 10</u>

B. As of December 31, 2021 and 2020, 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 amortised cost held by the Group was \$774,864 and \$176,953, respectively.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 14,034	\$ 15,653
Less: Allowance for uncollectible accounts	<u> -</u>	<u> -</u>
	<u>\$ 14,034</u>	<u>\$ 15,653</u>
Accounts receivable	\$ 318,710	\$ 239,808
Less: Allowance for uncollectible accounts	<u>(21,832)</u>	<u>(31,832)</u>
	<u>\$ 296,878</u>	<u>\$ 207,976</u>

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

	December 31, 2021	December 31, 2020
Not past due	\$ 263,443	\$ 184,513
Up to 30 days	46,279	19,420
31 to 90 days	<u>1,190</u>	<u>19,696</u>
	<u>\$ 310,912</u>	<u>\$ 223,629</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$224,031.

C. As of December 31, 2021 and 2020, 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 \$14,034 and \$15,653; \$296,878 and \$207,976, respectively.

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

(6) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 394,658	(\$ 26,973)	\$ 367,685
Work in progress	7,856	-	7,856
Finished goods	117,096	(4,198)	112,898
	<u>\$ 519,610</u>	<u>(\$ 31,171)</u>	<u>\$ 488,439</u>
	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>

- A. The cost of inventories recognised as expense for the years ended December 31, 2021 and 2020, was \$3,222,349 and \$3,439,476, respectively, including the amounts of \$0 and (\$3,787), 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 2021 and 2020.

(7) Investments accounted for using equity method

	<u>2021</u>	<u>2020</u>
At January 1	\$ 4,698,485	\$ 4,039,995
Addition of investments accounted for using equity method	668,174	35,267
Share of profit or loss of investments accounted for using equity method	468,531	669,481
Unrealized profit (loss) from sales	(113,382)	(264,433)
Realized profit (loss) from sales	264,433	136,040
Changes in unappropriated earnings (not recognised proportionately to shareholding ratio)	(533)	-
Changes in other equity items	(40,948)	81,009
Earnings distribution of investments accounted for using equity method	(954,902)	-
Credit balance of investments accounted for using equity method transferred to other non-current liabilities	20,964	1,126
At December 31	<u>\$ 5,010,822</u>	<u>\$ 4,698,485</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
TCI FIRSTEK CORP.	\$ 3,431,748	\$ 3,106,833
GENE & NEXT INC.	200,156	127,218
MAXIGEN BIOTECH INC.	646,001	-
SHANGHAI BIOFUNCTION CO., LTD.	668,610	1,383,565
TCI HK LIMITED	4,614	13,540
TCI BIOTECH LLC	7,378	12,233
BIOCOSME CO., LTD.	5,007	5,006
TCI JAPAN CO., LTD.	18,779	26,257
PT TCI BIOTEK INDO	79	92
TCI BIOTECH NETHERLANDS B.V.	(22,090)	(1,126)
SMY INTERENT OF PACKAGE CO., LTD.	2,396	1,900
QUANTUM BIOLOGY INC.	8,054	21,841
PETFOOD BIOTECHNOLOGY CO., LTD.	18,000	-
	<u>4,988,732</u>	<u>4,697,359</u>
Add: Credit balance of investments accounted for under equity method (shown as '2600 other non-current liabilities')	22,090	1,126
	<u>\$ 5,010,822</u>	<u>\$ 4,698,485</u>

A. Information about the Company's subsidiaries is provided in Note 4(3) of the 2021 consolidated financial statements.

B. For the year ended December 31, 2021, the Company acquired 18.42% of the share capital of

MAXIGEN BIOTECH INC. for \$370,994. Along with 6.89% of share capital originally held, the company cumulatively holds 25.31% of the share capital in MAXIGEN BIOTECH INC.. On July 12, 2021, the Company exercises control over MAXIGEN BIOTECH INC., which held a shareholders' meeting to re-elect directors and independent directors.

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2021</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>
<u>2021</u>						
At January 1	\$ 663,800	\$ 1,525,950	\$ 537,230	\$ 151,030	\$ 107,452	\$ 2,985,462
Additions	-	210	40,140	13,788	22,670	76,808
Disposals	-	-	(1,935)	-	(1,168)	(3,103)
Reclassifications	4,190	17,391	402,347	154,989	46,582	625,499
Depreciation charge	-	(51,323)	(155,058)	(42,937)	(43,368)	(292,686)
At December 31	<u>\$ 667,990</u>	<u>\$ 1,492,228</u>	<u>\$ 822,724</u>	<u>\$ 276,870</u>	<u>\$ 132,168</u>	<u>\$ 3,391,980</u>
<u>At December 31, 2021</u>						
Cost	\$ 667,990	\$ 1,677,187	\$ 1,360,357	\$ 407,561	\$ 306,920	\$ 4,420,015
Accumulated depreciation	-	(184,959)	(537,633)	(130,691)	(174,752)	(1,028,035)
	<u>\$ 667,990</u>	<u>\$ 1,492,228</u>	<u>\$ 822,724</u>	<u>\$ 276,870</u>	<u>\$ 132,168</u>	<u>\$ 3,391,980</u>

	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>

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

(9) 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 14,119	\$ 25,957
Transportation equipment (Business vehicles)	-	664
	<u>\$ 14,119</u>	<u>\$ 26,621</u>
	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 8,083	\$ 11,905
Transportation equipment (Business vehicles)	664	1,028
	<u>\$ 8,747</u>	<u>\$ 12,933</u>

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$0

and \$1,253, respectively.

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

	Years ended December 31,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 334	\$ 573
Expense on short-term lease contracts	11,053	20,791
Expense on leases of low-value assets	4,046	9,028
Gain or loss on lease modification	44	42

E. For the years ended December 31, 2021 and 2020, the Company total cash outflow for leases was \$24,179 and \$43,179, respectively.

(10) Intangible assets

	<u>Software</u>	<u>Royalty</u>	<u>Total</u>
<u>At January 1, 2021</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>
<u>2021</u>			
At January 1	\$ 12,627	\$ 850	\$ 13,477
Additions	3,701	-	3,701
Reclassifications	5,041	-	5,041
Amortisation charge	(8,123)	(150)	(8,273)
At December 31	<u>\$ 13,246</u>	<u>\$ 700</u>	<u>\$ 13,946</u>
<u>At December 31, 2021</u>			
Cost	\$ 38,349	\$ 1,500	\$ 39,849
Accumulated amortisation	(25,103)	(800)	(25,903)
	<u>\$ 13,246</u>	<u>\$ 700</u>	<u>\$ 13,946</u>

	<u>Software</u>	<u>Royalty</u>	<u>Total</u>
<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>

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2021	2020
Overhead	\$ 701	\$ 205
Selling expenses	250	962
Administrative expenses	6,698	10,359
Research and development expenses	624	2,385
	<u>\$ 8,273</u>	<u>\$ 13,911</u>

(11) Other non-current assets

	December 31, 2021	December 31, 2020
Prepayments for construction business facilities	\$ 779,066	\$ 994,136
Guarantee deposits paid	28,722	28,794
Other non-current assets	-	13,473
	<u>\$ 807,788</u>	<u>\$ 1,036,403</u>

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

Items	December 31, 2021	December 31, 2020
Financial assets - current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ -	\$ 134,893
Valuation adjustment	-	509
	<u>\$ -</u>	<u>\$ 135,402</u>
Financial liabilities - current items:		
Corporate bonds		
Call and put option of corporate bonds	\$ -	\$ -
Valuation adjustment	-	-
	<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. Amounts recognised in net gain in relation to investments in equity instruments were \$0 and \$509 for the years ended December 31, 2021 and 2020, respectively.
- C. Amounts recognised in net gain in relation to financial liabilities at fair value through profit or loss are \$0 and \$0 for the years ended December 31, 2021 and 2020, respectively.

(13) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salaries and bonuses payable	\$ 157,654	\$ 261,730
Employee bonus payable	224,678	250,878
Payable on machinery and equipment	44,227	17,445
Others	226,896	98,416
	<u>\$ 653,455</u>	<u>\$ 628,469</u>

(14) Bonds payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bonds payable	\$ -	\$ 435,400
Less: Discount on bonds payable	-	(1,132)
	-	434,268
Less: Current portion or exercise of put options	-	(434,268)
	<u>\$ -</u>	<u>\$ -</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, 2021, 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) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate	Collateral
Bank borrowings			
Unsecured borrowings	\$ 1,448,238	0.52%~3.33%	None

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

Interest expense recognised in profit or loss amounted to \$13,755 and \$9,557 for the years ended December 31, 2021 and 2020, respectively.

(16) 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, 2021 and 2020 were \$25,746 and \$28,441, respectively.

(17) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from May 3, 2020 to January 5, 2028; interest is repayable monthly.	0.89% ~ 1.03%	None	967,510
				<u>\$ 967,510</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from May 3, 2020 to February 15, 2027; interest is repayable monthly.	1%	None	3,980
				<u>\$ 3,980</u>

(18) Share-based payment

A. For the years ended December 31, 2021 and 2020, 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,			
	2021		2020	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	49	\$ 100	718	\$ 100
Options expired	-	-	(44)	100
Options exercised	(28)	-	(625)	100
Options outstanding at the end of the year	<u>21</u>	<u>\$ -</u>	<u>49</u>	<u>\$ 100</u>
Options exercisable at the end of the year	<u>21</u>	<u>\$ -</u>	<u>49</u>	<u>\$ 100</u>

	Years ended December 31,			
	2021		2020	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	1,692	\$ 448	1,827	\$ 448
Options expired	(75)	448	(135)	448
Options outstanding at the end of the year	<u>1,617</u>	<u>\$ 448</u>	<u>1,692</u>	<u>\$ 448</u>
Options exercisable at the end of the year	<u>1,294</u>	<u>\$ 448</u>	<u>717</u>	<u>\$ 448</u>

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2021 and 2020 was \$238.08 and \$248.30, respectively.

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

Issue date approved	Expiry date	December 31, 2021		December 31, 2020	
		No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2016.07.01	2022.06.30	21	\$ 100	49	\$ 100
2018.05.15	2024.05.14	1,617	448	1,692	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	32.73	4~5	-	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	5.75	-	0.5636~ 0.6814	\$ 63.16~ 106.15
Restricted stocks to employee	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,	
	2021	2020
Equity-settled	\$ 35,797	\$ 116,791

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.

(19) Share capital

A. As of December 31, 2021, 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)

	2021		
	Private placement of ordinary share	Unrestricted shares	Total
At January 1	-	118,220	118,220
Employee stock options exercised	-	28	28
Restricted stocks to employee - stocks redeemed	-	(4)	(4)
Retirement of treasury shares	-	1	1
At December 31	-	118,245	118,245

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

B. Treasury shares

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

		December 31, 2021	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To be reissued to employees	532,000	\$ 118,787
		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

(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, 2021, 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, 2021, 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.

(20) 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.

(21) 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 7, 2021, the shareholders at the shareholders' meeting approved the distribution of dividends from the 2020 earnings in the amount of \$1,040,755, with cash dividends of \$8.84 (in dollars) per share. On March 22, 2022, the Board of Directors of the Company approved the distribution of dividends from the 2021 earnings in the amount of \$1,050,014, with cash dividends of \$8.88 (in dollars) per share.

(22) Other equity items

	2021			
	Unrealized gains (losses) on valuation	Currency translation	Unearned employee compensation	Total
At January 1	(\$ 11,576)	(\$ 233,124)	(\$ 12,369)	(\$ 257,069)
Currency translation differences	-	(50,205)	-	(50,205)
	5,916	-	-	5,916
Revaluation - gross	6,642	-	-	6,642
Compensation cost of share-based payments	-	-	12,369	12,369
At December 31	<u>\$ 982</u>	<u>(\$ 283,329)</u>	<u>\$ -</u>	<u>(\$ 282,347)</u>
	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>

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 years ended December 31, 2021 and 2020 are all \$0.

(23) Operating revenue

	Years ended December 31,	
	2021	2020
Revenue from contracts with customers	\$ <u>5,717,576</u>	\$ <u>6,068,526</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, 2021</u>	<u>Europe and America region</u>	<u>Asia Pacific region</u>	<u>Total</u>
Timing of revenue			
At a point in time	\$ <u>502,355</u>	\$ <u>5,215,221</u>	\$ <u>5,717,576</u>
<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>

B. Contract assets and liabilities

As of December 31, 2021, December 31, 2020 and January 1, 2020, the Company has not recognized any revenue-related contract assets, while the Company has recognized contract liabilities below:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2019</u>
Contract liabilities – advance sales receipts	\$ <u>178,800</u>	\$ <u>144,143</u>	\$ <u>698,191</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,	
	2021	2020
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	\$ <u>135,275</u>	\$ <u>104,786</u>

(24) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ <u>2,014</u>	\$ <u>374</u>

(25) Other income

	Years ended December 31,	
	2021	2020
Service income	\$ 1,665	\$ 65,755
Rent income	2,474	3,096
Dividend income	3,420	149
Other income - others	9,221	35,047
	<u>\$ 16,780</u>	<u>\$ 104,047</u>

(26) Other gains and losses

	Years ended December 31,	
	2021	2020
Gains(losses) on disposals of investments	\$ 118,816	\$ -
Gains on disposal of property, plant and equipment	1,203	180
Gains arising from lease modifications	44	42
Gains on financial assets (liabilities) at fair value through profit or loss	37,552	509
Foreign exchange losses	(6,978)	(1,088)
Miscellaneous disbursements	(501)	(229)
	<u>\$ 150,136</u>	<u>(\$ 586)</u>

(27) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense		
Bank borrowings	\$ 13,775	\$ 9,557
Convertible bonds	7,692	2,879
Leases	334	573
	<u>\$ 21,801</u>	<u>\$ 13,009</u>

(28) Expenses by nature

	Years ended December 31,	
	2021	2020
Employee benefit expense	\$ 730,600	\$ 966,785
Processing fee	127,955	108,244
Depreciation charges on property, plant and equipment	301,433	227,203
Operating lease payments	15,099	29,819
Amortisation charges on intangible assets	8,273	13,911
	<u>\$ 1,183,360</u>	<u>\$ 1,345,962</u>

(29) Employee benefit expense

	Years ended December 31,	
	2021	2020
Wages and salaries	\$ 591,825	\$ 719,975
Employee stock options (Note)	35,797	116,791
Labour and health insurance fees	55,531	62,104
Pension costs	25,746	28,441
Other personnel expenses	21,701	39,474
	<u>\$ 730,600</u>	<u>\$ 966,785</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, 2021 and 2020, employees' compensation was accrued at \$117,518 and \$163,401, 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, 2021. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$117,518 and \$4,200, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2020 as resolved by the Board of Directors were \$163,401 and \$4,200, respectively, and were in agreement with those amounts recognised in the 2020 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.

(30) Income tax

A. Income tax expense

Components of income tax expense:

	Years ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 183,133	\$ 315,996
Tax on undistributed surplus earnings	36,619	30,827
Effect from investment tax credits	(26,446)	(30,827)
Prior year income tax overestimation	(68,634)	(49,939)
Total current tax	<u>124,672</u>	<u>266,057</u>
Deferred tax:		
Origination and reversal of temporary differences	36,032	(27,708)
Remittance of earnings	141,308	-
Total deferred tax	<u>177,340</u>	<u>(27,708)</u>
Income tax expense	<u>\$ 302,012</u>	<u>\$ 238,349</u>

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 369,554	\$ 415,427
Effect from items not recognised in accordance with tax regulation	(150,389)	(127,139)
Effect from investment tax credits	(26,446)	(30,827)
Prior year income tax overestimation	(68,634)	(49,939)
Tax on undistributed earnings	36,619	30,827
	141,308	-
Income tax expense	<u>\$ 302,012</u>	<u>\$ 238,349</u>

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

	2021		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Allowance for obsolescence and decline in market value of inventories	\$ 6,234	\$ -	\$ 6,234
Unrealised exchange loss	638	(638)	-
Unrealised gross profit	<u>52,886</u>	<u>(30,210)</u>	<u>22,676</u>
	<u>\$ 59,758</u>	<u>(\$ 30,848)</u>	<u>\$ 28,910</u>
-Deferred tax liabilities:			
Unrealised exchange gain	\$ -	(\$ 5,184)	(\$ 5,184)
	<u>\$ -</u>	<u>(\$ 5,184)</u>	<u>(\$ 5,184)</u>
	<u>\$ 59,758</u>	<u>(\$ 36,032)</u>	<u>\$ 23,726</u>
	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	<u>27,208</u>	<u>25,678</u>	<u>52,886</u>
	<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>

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

(31) Earnings per share

	Year ended December 31, 2021		
	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	\$ 1,545,758	117,374	\$ 13.17
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,545,758		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	-	-	
Employee stock option	-	16	
Employees' compensation	-	705	
Restricted stocks	-	-	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,545,758	118,095	\$ 13.09
<u>Year ended December 31, 2020</u>			
	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

(32) Supplemental cash flow information

A. Investing activities with partial cash payments

	Years ended December 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 76,808	\$ 19,078
Add: Opening balance of payable on equipment	17,445	99,174
Less: Ending balance of payable on equipment	(44,227)	(17,445)
Cash paid during the year	<u>\$ 50,026</u>	<u>\$ 100,807</u>

B. Financing activities with no cash flow effects

	Years ended December 31,	
	2021	2020
Convertible bonds being converted to capital stocks	<u>\$ 200</u>	<u>\$ -</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
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) (Formerly named is SBI CO., LTD.)	Second-tier subsidiary
TCI BIOTECH USA LLC(TCI BIOTECH USA)	Second-tier subsidiary

(2) Significant related party transactions

A. Operating revenue:

	Years ended December 31,	
	2021	2020
Sales of goods:		
Subsidiary		
BIOTRADE	\$ 1,036,143	\$ 2,022,416
BIOFUNCTION	1,341,839	1,741,026
TCI BIOTECH LLC	1,297,306	519,730
Other	157,363	128,393
	<u>\$ 3,832,651</u>	<u>\$ 4,411,565</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,	
	2021	2020
Purchases of goods:		
Subsidiary		
TCI JAPAN	\$ 45,637	\$ 138,447
BIOTRADE	145,068	86,544
Other	110,637	86,641
	<u>\$ 301,342</u>	<u>\$ 311,632</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,	
	2021	2020
Service revenue:		
Subsidiary		
TCI LIVING CO., LTD.	\$ 1,080	\$ -
BIOFUNCTION	-	63,715
Other	585	2,040
Rent revenue:		
Subsidiary		
Other	2,286	2,286
Other income - others		
Other	189	5,089
	<u>\$ 4,140</u>	<u>\$ 73,130</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,	
	2021	2020
Purchases of services:		
Subsidiary		
GENE & NEXT	\$ 144,165	\$ 84,704
Other	-	616
	<u>\$ 144,165</u>	<u>\$ 85,320</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, 2021</u>	<u>December 31, 2020</u>
Accounts receivable:		
Subsidiary		
TCI BIOTECH	\$ 364,447	\$ 221,642
BIOTRADE	134,722	134,029
BIOFUNCTION	47,910	70,960
TCI LIVING	32,131	46,721
TCI JAPAN	38,419	33,967
BIOSCIENCE	15,190	29,356
TCI NL	18,266	-
Other	<u>14,337</u>	<u>2,558</u>
	<u>665,422</u>	<u>539,233</u>
Other receivables:		
Subsidiary		
BIOFUNCTION	\$ 10,592	\$ 1,206
TCI BIOTECH	\$ 8,712	\$ -
Other	<u>8,198</u>	<u>6,897</u>
	<u>27,502</u>	<u>8,103</u>
	<u>\$ 692,924</u>	<u>\$ 547,336</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, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
Subsidiary		
Other	<u>\$ 208,678</u>	<u>\$ 127,685</u>

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, 2021</u>	<u>December 31, 2020</u>
Other payables:		
Subsidiary		
Other	<u>\$ 43,943</u>	<u>\$ 13,321</u>

Other payables to related parties are incurred from services received.

H. Contract liabilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contract liabilities:		
Subsidiary		
BIOFUNCTION	\$ <u> -</u>	\$ <u> 103,284</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>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 89,038	\$ 105,052
Share-based payments	20,112	92,371
	<u>\$ 109,150</u>	<u>\$ 197,423</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Property, plant and equipment	\$ 1,995,750	\$ 1,605,479	Short-term and long-term borrowings
Current financial assets amortised at cost	-	159,953	Short-term borrowings
Non-current financial assets amortised at cost			Restricted by the regulation governing the management, utilization, and taxation of repatriated offshore funds
	<u>774,684</u>	<u>-</u>	
	<u>\$ 2,770,434</u>	<u>\$ 1,765,432</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, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	\$ <u>245,670</u>	\$ <u>286,090</u>

B. As of December 31, 2021 and 2020, the Company's total unused letters of credit was \$8,124 and \$22,072, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

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, 2021</u>	<u>December 31, 2020</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	\$ 131,266	\$ 135,402
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 30,210	\$ 23,568
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 591,468	\$ 507,239
Financial assets at amortised cost	774,684	176,953
Notes receivable	14,034	15,653
Accounts receivable	296,878	207,976
Accounts receivable-related parties	665,422	539,233
Other receivables	17,059	21,316
Other receivables-related parties	27,502	8,103
Guarantee deposits paid	28,722	28,794
	<u>\$ 2,415,769</u>	<u>\$ 1,505,267</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,448,238	\$ 1,076,334
Notes payable	1,440	1,350
Accounts payable	528,446	534,154
Accounts payable-related parties	208,678	127,685
Other accounts payable	653,455	628,469
Other accounts payable-related parties	43,943	13,321
Corporate bonds payable (including current portion)	-	434,268
Long-term borrowings (including current portion)	967,510	3,980
	<u>\$ 3,851,710</u>	<u>\$ 2,819,561</u>
Lease liability	<u>\$ 14,466</u>	<u>\$ 27,012</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:

December 31, 2021			
(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB:NTD	\$ 241,058	4.3440	\$ 1,047,156
USD:NTD	28,296	27.6800	783,233
EUR:NTD	773	31.3200	24,210
JPY:NTD	178,981	0.2405	43,045
SGD:NTD	1,295	20.4600	26,496
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB:NTD	\$ 37,549	4.3440	\$ 163,113
JPY:NTD	736,479	0.2405	177,123
USD:NTD	1,712	27.6800	47,388
EUR:NTD	2,380	31.3200	74,542
December 31, 2020			
(Foreign currency: functional currency)	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

- 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, 2021 and 2020, amounted to \$6,978 and \$1,088, respectively.
- iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2021					
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%	\$ 10,472	\$		-
USD:NTD	"	7,832			-
EUR:NTD	"	242			-
JPY:NTD	"	430			-
SGD:NTD	"	265			-
<u>Financial liabilities</u>					
<u>Monetary items</u>					
RMB:NTD	1%	\$ 1,631	\$		-
JPY:NTD	"	1,771			-
USD:NTD	"	474			-
EUR:NTD	"	745			-

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%	\$ 7,093	\$		-
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			-

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, 2021 and 2020 would have increased/decreased by \$1,313 and \$1,354, 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 \$302 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 2021 and 2020, 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, 2021 and 2020 would have increased/decreased by \$1,932 and \$864, 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, 2021 and 2020, 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, 2021</u>					
Expected loss rate	0%~0.23%	0%~20.23%	0%~100%	100.00%	
Total book value	\$ 263,443	\$ 57,807	\$ 11,494	\$ -	\$ 332,744
Loss allowance	\$ -	\$ 10,338	\$ 11,494	\$ -	\$ 21,832
	<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

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

	<u>2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 31,832	\$ -
Provision for impairment	(10,000)	-
At December 31	<u>\$ 21,832</u>	<u>\$ -</u>
	<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>

(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, 2021 and 2020, the Company has undrawn borrowing facilities of \$8,276,559 and \$8,781,646, 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, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short term borrowings	\$ 1,448,238	\$ -	\$ -
Notes payable	1,440	-	-
Accounts payable (including related parties)	737,124	-	-
Other payables (including related parties)	697,398	-	-
Lease liability	6,806	6,557	1,103
Long-term borrowings	-	-	967,510
Convertible bonds	-	-	-

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	-	-

(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, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 131,266	\$ -	\$ -	\$ 131,266
Financial assets at fair value through other comprehensive income				
Equity securities	<u>2,851</u>	<u>-</u>	<u>27,359</u>	<u>30,210</u>
	<u>\$ 134,117</u>	<u>\$ -</u>	<u>\$ 27,359</u>	<u>\$ 161,476</u>
Liabilities				
<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, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<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>22,372</u>	<u>23,568</u>
	<u>\$ 136,598</u>	<u>\$ -</u>	<u>\$ 22,372</u>	<u>\$ 158,970</u>
Liabilities				
<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:

	Listed shares
Market quoted price	Closing price
ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).	
iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the 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, 2021 and 2020, there was no transfer between Level 1 and Level 2.	
E. For the years ended December 31, 2021 and 2020, no Level 3 financial instrument was changed.	
F. For the years ended December 31, 2021 and 2020, 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, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 27,359	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	8.68%	the higher the discount rate, the lower the fair value.
	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.

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, 2021					
				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%	\$ -	\$ -	\$ 1,368	\$ 1,368

		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

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: Please refer to table 4.
- 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 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- 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 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

(4) Major shareholders information

Major shareholders information: Please refer to table 11.

14. SEGMENT INFORMATION

None.

TCI CO., LTD.
Loans to others
Year ended December 31, 2021

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, 2021 (Note 3)	Balance at December 31, 2021	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	\$ -	\$ 1,202,404	\$ 1,202,404	Notes 5 and 6
2	SHANGHAI BIOSCIENCE CO., LTD.	TCI CO., LTD.	Other receivables - related parties	Y	344,400	344,400	-	4.35%	2	-	For operating capital	-	None	-	382,566	382,566	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, 2021. The amount is calculated at the closing rate of RMB\$1 : NTD\$4.3440, 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, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum	Outstanding	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of	Ceiling on total amount of endorsements/ guarantees provided	Provision of	Provision of	Provision of	Footnote
					outstanding endorsement/ guarantee amount as of December 31, 2021	endorsement/ guarantee amount at December 31, 2021			accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company		endorsements/ guarantees by parent company to subsidiary (Note 4)	endorsements/ guarantees by subsidiary to parent company (Note 4)	endorsements/ guarantees to the party in Mainland China (Note 4)	
0	TCI CO., LTD.	TCI BIOTECH USA LLC	2	\$ 1,623,285	\$ 138,624	\$ 138,624	\$ -	\$ -	1.71	\$ 4,058,214	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.

TCI CO., LTD.

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

Year ended December 31, 2021

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, 2021				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	\$ 2,851	0.13	\$ 2,851	
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	26,987	9.26	26,987	
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	18,685	19.00	18,685	
TCI CO., LTD.	NIPPI INC	None	Financial assets at fair value through profit or loss - current	70,600	62,908	2.44	62,908	
TCI CO., LTD.	SYNGEN BIOTECH CO., LTD.	None	Financial assets at fair value through profit or loss - current	148,000	16,724	0.55	16,724	
TCI CO., LTD.	GENMONT BIOTECH CO., LTD.	None	Financial assets at fair value through profit or loss - current	2,079,000	50,624	2.41	50,624	
TCI CO., LTD.	NuVasive INC.	None	Financial assets at fair value through profit or loss - current	700	1,010	0.00	1,010	

TCI CO., LTD.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account (Note 2 Note 3)	Counterparty (Note 4)	Relationship with the investor (Note 4)	Balance as at January 1, 2021		Addition (Note 3)		Disposal (Note 3)			Balance as at December 31, 2021			
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount	
MAXIGEN BIOTECH INC.	Shares - MAXIGEN BIOTECH INC.		-	-	1,957,000	\$45,072	15,622,881	\$435,406	-	\$-	-	\$-	-	17,579,881	\$480,478

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: It was reclassified from 'financial assets at fair value through profit or loss - current' to 'investment accounted for using equity method' after the public tender offer for acquiring ordinary shares of MAXIGEN BIOTECH INC. expired on April 16, 2021. The Group has obtained control over the subsidiary on July 12, 2021 and included the subsidiary in the consolidated financial statements.

Note 3: The Group invested in the securities with the amount exceeding \$300 million.

Note 4: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

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, 2021

Table 5

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)	\$ 1,036,134	(18.12)	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.	\$ 134,722	13.80	
TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	Subsidiary	(Sales)	1,341,839	(23.47)	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.	47,910	4.91	
TCI CO., LTD.	TCI BIOTECH LLC	Subsidiary	(Sales)	1,297,306	(22.69)	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.	364,447	37.33	
TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	Subsidiary	Purchases	145,068	(4.37)	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.	(98,846)	(13.38)	

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, 2021

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	
					Amount	Action taken			
TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	Subsidiary	Accounts receivable	\$ 134,722	7.71	-	-	\$ 134,722	\$ -
TCI CO., LTD.	TCI BIOTECH LLC	Subsidiary	Accounts receivable	364,447	4.43	-	-	364,447	-

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, 2021

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		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	\$ 1,036,134	The prices and terms of sales and purchases are available to third parties. 12.08
0	TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	1	Accounts receivable	134,722	The prices and terms of sales and purchases are available to third parties. 0.92
0	TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	1	Sales of goods	1,341,839	The prices and terms of sales and purchases are available to third parties. 15.64
0	TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	1	Accounts receivable	47,910	The prices and terms of sales and purchases are available to third parties. 0.33
0	TCI CO., LTD.	TCI BIOTECH LLC	1	Sales of goods	1,297,306	The prices and terms of sales and purchases are available to third parties. 15.12
0	TCI CO., LTD.	TCI BIOTECH LLC	1	Accounts receivable	364,447	The prices and terms of sales and purchases are available to third parties. 2.48
0	TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	1	Purchases	145,068	The prices and terms of sales and purchases are available to third parties. 2.99
0	TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	1	Accounts payable	98,846	The prices and terms of sales and purchases are available to third parties. 0.67

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, 2021

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income(loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	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	\$ 3,431,748	\$ 277,108	\$ 277,108	None
TCI CO., LTD.	GENE & NEXT INC.	Taiwan	Research and development of biotechnology and genetics	64,250	64,250	11,296,692	52.64	200,156	92,635	55,970	None
TCI CO., LTD.	TCI HK LIMITED	Hong Kong	Trading health foods and cosmetics	21,046	21,046	-	100.00	4,614 (	8,644) (	8,644)	None
TCI CO., LTD.	TCI BIOTECH LLC	U.S.A.	Trading health foods and cosmetics	8,778	8,778	-	5.66	7,378 (	20,214)	1,853	None
TCI CO., LTD.	BIOCOSME CO., LTD.	Taiwan	Trading health foods and cosmetics	5,000	5,000	500,000	100.00	5,007	1	1	None
TCI CO., LTD.	TCI JAPAN CO., LTD.	JAPAN	Trading health foods and cosmetics	15,626	15,626	5,500	100.00	18,779 (	4,321) (	4,321)	None
GENE & NEXT INC.	GLUX HK LIMITED	Hong Kong	Trading health foods and cosmetics	29,542	29,542	-	100.00	441	11	6	None
GENE & NEXT INC.	TCI LIVING CO., LTD.	Taiwan	Trading health foods and cosmetics	43,175	43,175	2,760,000	79.31	42,389 (	1,485) (	780)	None
TCI LIVING CO., LTD.	SBI GROUP HK LIMITED	Hong Kong	Trading health foods and cosmetics	5,847	5,847	-	100.00	3,692 (	14) (	6)	None
TCI CO., LTD.	PT TCI BIOTEK INDO	Indonesia	Trading health foods and cosmetics	-	-	-	100.00	79 (	12) (	12)	Note 3
TCI CO., LTD.	TCI BIOTECH NETHERLANDS B.V.	Netherlands	Trading health foods and cosmetics	3,367	3,367	-	100.00 (	22,090) (	28,023) (	28,023)	None
TCI CO., LTD.	SMY INTERENT OF PACKAGE CO., LTD.	Taiwan	Producing, manufacturing and selling of packaging containers	1,900	1,900	190,000	19.00	2,396	2,611	496	None
TCI CO., LTD.	QUANTUM BIOLOGY INC.	Taiwan	Research and development of biotechnology	30,000	30,000	3,000,000	100.00	8,054 (	14,037) (	14,037)	None
TCI CO., LTD.	MAXIGEN BIOTECH INC.	Taiwan	Wholesale of cosmetics and research and development, producing and sales of biologicals	480,478	-	17,579,881	22.83	646,001	87,667	16,048	None
TCI CO., LTD.	PETFOOD BIOTECHNOLOGY CO.,	Taiwan	Producing and sales of pet supplies	180,000	-	18,000	60.00	18,000	-	-	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, 2021' 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, 2021' 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, 2021' 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, 2021.

TCI CO., LTD.
Information on investments in Mainland China
Year ended December 31, 2021

Table 9

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, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SHANGHAI BIOTRADE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetic manufacturing	\$ 14,117	Note 3	\$ 15,440	\$ -	\$ -	\$ 15,440	\$ 267,834	100.00	\$ 267,834	\$ 3,560,835	\$ 289,047	Note 5 Note 6
SHANGHAI BIOSCIENCE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	26,064	Note 2	-	-	-	-	288,545	100.00	288,545	3,334,954	-	Note 5 Note 6
SHANGHAI BIOCOSME CO., LTD.	Producing cosmetics	143,352	Note 2	-	-	-	(27,422)	100.00	(27,422)	(27,422)	157,396	-	Note 5 Note 6
SHANGHAI BIOFUNCTION CO., LTD.	Producing health foods	1,131,425	Note 1	438,307	-	-	438,307	465,775	100.00	465,775	1,826,844	942,055	Note 5 Note 6
SHANGHAI BIOTECHGENE TECHNOLOGY CO., LTD.	Research and development of biotechnology and genetics	43,440	Note 4	-	-	-	(463)	100.00	(463)	(463)	44,730	-	Note 5 Note 6
TCI LIVING SHANGHAI CO., LTD.	Trading health foods and cosmetics	2,768	Note 3	-	-	-	(2,881)	41.75	(2,285)	(2,285)	4,212	-	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, 2021	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
		Investment amount	Investment amount	
TCI CO., LTD.	\$ 438,307	\$ 692,000	\$ 5,545,198	
TCI FIRSTEK CORP.	15,440	15,440	2,127,078	
TCI LIVING CO., LTD.	8,500	30,448	30,958	

Note 6 : The numbers in this table are expressed in New Taiwan dollars, except for: assets and liabilities presents at RMB\$1 : NTD\$4.3440, USD\$1 : NTD\$27.6800; income presents at RMB\$1 : NTD\$4.3402, USD\$1 : NTD\$27.9983;

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, 2021

Table 10

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, 2021	%	Balance at December 31, 2021	Purpose	Maximum balance during the year ended December 31, 2021	Balance at December 31, 2021	Interest rate	Interest during the year ended December 31, 2021	Others
SHANGHAI BIOFUNCTION CO., LTD.	\$ 1,341,839	23.47	\$ -	-	\$ 47,910	4.91	\$ -	-	\$ -	\$ -	-	\$ -	-
SHANGHAI BIOTRADE CO., LTD.	1,036,134	18.12	-	-	134,722	13.80	-	-	-	-	-	-	-
SHANGHAI BIOTRADE CO., LTD.	(145,068)	(4.37)	-	-	(98,846)	(13.38)	-	-	-	-	-	-	-

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, 2021

Table 11

Name of major shareholders	Shares	
	Number of shares held	Ownership
DYDO GROUP HOLDINGS INC.	9,593,216	8.11%