Stock Code：8436

大江生醫股份有限公司

TCI Co.,Ltd

2019 Annual Report

TCI Co., Ltd.

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I. Letter to Shareholders

Dear Shareholders,

2019 was an eventful year for TCI. Although TCI's effort was not reflected in its sales performance, it still ranked in the top 5% in the corporate governance evaluation of 1500 listed companies at the stock exchange market and over-the-counter market and witnessed growth in annual revenue, gross profit, and net profit.

In 2020, facing the COVID-19 pandemic, aftermath of China-United States trade war, and the emergence of another trade war between United States and Europe, drastic changes are going to occur in the business environment, and the coordination of the management team is going to be the key factor that determines a company's success or failure. I, as the CEO of TCI, am confident in our management team and that we will perform perfectly in the adversity because we are all prepared. The following is an overview of the 2020 operating policy and 2019 operational results for all shareholders.

I. 2020 Operating Policy

1. Expansion of Global Business

   Under the impact of the COVID-19 pandemic and trade wars, countries will gradually restrict the entry and exit of people and goods, which will cause transaction costs to rise rapidly and further lead to a decrease in demand. TCI will take advantage of its large-scale production capacity to reduce costs and increase share in markets around the world and widen the gap with the less-active competitors.

2. Rapid Establishment of a Network of Highly Coordinated Production Lines

   Due to TCI's investments in automation and cloudification, in the COVID-19 pandemic, TCI's production site in Taiwan is completely unaffected and continue to provide the "products in a flash" service, and the production site in Shanghai has started its operation since February 2020–several weeks ahead of the industry. TCI has entered a different era, surpassing its competitors and will speed the establishment of highly-coordinated automated production lines. In the next few years, highly efficient production is going to be TCI's unique competitive advantage, which will result in soaring sales.

3. Full Development of Cross-Disciplinary Technology

   Since biotechnology is becoming a leading sector in the global economy of the century, major enterprises around the world are eager to invest in this domain. In such a competitive environment, the starting point determines the end point. The TCI R&D team will focus on the three core technologies, i.e., the marketization of cross-disciplinary technology, extraction of genes and natural products, and symbiotic microorganisms, in combination with the "single unit, digital printing" technology, cell therapy technology, VR streaming and the application of 5G in marketing to ensure the success of TCI's customers.

4. M&A and Investment Layout

   Most members of TCI joined the company in their 20s, and most members of the management team are in their late 30s or early 40s. Although most of TCI's staff members are young, they are experienced and capable, expanding TCI's operations around the world and enable TCI to achieve its current success. Now that TCI has started its M&A and investment activities, it cannot only improve its original operating performance with simplified, automated, cloud-based, globalized, and results-based operating policies but also enable talents to grow and explore their full potential to speed the establishment of the "TCI empire on which the sun never sets" and become the world's no.1!

II. 2019 Financial Performance

1. Operational Results

Unit: NT$ thousands

TCI Co., Ltd.				
Consolidated Income Statement				
Item	2019年	2018年	Difference	%
Net Revenue	9,566,132	8,098,414	1,467,718	18%
Cost of Revenue	5,550,645	4,581,462	969,183	21%
Gross Profit	4,015,487	3,516,952	498,535	14%
Operating Expenses	1,813,170	1,480,029	333,141	23%
Income from Operations	2,202,317	2,036,923	165,394	8%
Other Operating Income and Expenses	202,914	169,614	33,300	20%
Income before Income Tax	2,405,231	2,206,537	198,694	9%
Income Tax Expenses	367,265	399,158	-31,893	-8%
Net Income	2,037,966	1,807,379	230,587	13%

2. Analysis of Financial Performance

(1) In 2019, TCI's net revenue totaled NT$ 9.566132 billion, an increase of 18 percent over the NT$ 8.098414 billion in 2018; the income from operations totaled NT$ 2.202317 billion, an increase of 8 percent over the NT$ 2.036923 in 2018; the net income totaled NT$ 2.037966, an increase of 13 percent over the NT$ 1.807379 in 2018.

(2) In 2019, the gross profit margin was 41.98, down 1.45% compared with the 43.43% in 2018; the operating income margin was 23.02%, down 2.13% compared with the 25.15% in 2018; the profit margin was 21.30%, down 1.29% compared with the 22.32% in 2018.

(3) In 2019, the earnings per share was NT$ 17.02, up 9.95% compared with the NT$ 15.48 in 2018 (please refer to note 1 below).

Note 1: Earning per share in 2018 was retroactively adjusted after the capital increase out of earnings/capital reserve.

TCI sincerely thanks you again for your support. As you read this Report, you will be assured of the correctness of investing in TCI! Please continue to believe in TCI and hold your shares for a long term. For more information, you can refer to TCI's official website or scan the QR codes below. In 2020, TCI will work as hard as before in 2020 but in a better and smarter way to "join and delight consumer's life"!

大江官網 全球據點 光速交貨 跨界技術 數位印刷

Chairman: Yung-Hsiang Lin 詠翔林 CEO: Yung-Hsiang Lin 詠翔林 Accounting Manager: Jui-Yi Wu

II. Company Profile

1. Date of Incorporation

August 22, 1980

2. Brief history of the Company

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

Year	Milestone
2011	◆ TCI (Taiwan) PABP BRANCH started its business. ◆ TCI Co., Ltd. passed the selection of Taiwan Intellectual Property Management System (TIPS) held by the Institute for Information Industry, R.O.C. (Taiwan). ◆ (Febuary) One of TCI's affiliates, First Tek Corp., which name had been revised as TCI Firstek Corp. ◆ (July) Aftert the capitalization of retained earnings transferred to capital of NT$ 45,000,000 had been implemented, and the capitalization of employee bonuses transferred tocapital of NT$ 5,420,000. The paid-in capital had become NT$ 200,420,000. ◆ (July) TCI Gene Inc. had been established by TCI. Co., Ltd. ◆ (August) TCI Co., Ltd. filed for registration of a case of initial public issuance of stock and received the approval from the Taipei Exchange (TPEx). ◆ (September) One of TCI's affiliates, BioScience, Shanghai BioTech Group, had been established by BioTrade, Shanghai BioTech Group. ◆ (September) TCI (Taiwan) PABP BRANCH obtained the ISO 22000:2005 certification. ◆ (October) The E.V.E. Lab obtained the ISO17025:2005-TAF Certification. ◆ (October) TCI (Taiwan) PABP BRANCH obtained the GMP certification managed by TQF (Taiwan Quality Food) Association. ◆ (December) Aftert the capital increased by cash of NT$ 26,000,000, the paid-in capital had become NT$ 226,420,000.
2012	◆ (February) TCI Co., Ltd. started its emerging stock on the Taipei Exchange (TPEx). ◆ (May) One of TCI's affiliates, BioFunction, Shanghai BioTech Group, had been established by TCI. Co., Ltd. ◆ (July) After the issuance of employee stock option certificates of 365,000 shares, the paid-in capital had become NT$ 230,070,000. ◆ (August) Aftert the capitalization of retained earnings transferred to capital of NT$ 67,926,000 had been implemented, the paid-in capital had become NT$ 299,996,000. ◆ (December) One of TCI's affiliates, BioCosme, Shanghai BioTech Group, had been established by BioTrade, Shanghai BioTech Group.
2013	◆ (January) One of TCI's affiliates, TCI HK LIMITED had been established by TCI Co., Ltd, and GeNext HK LIMITED had been established by TCI HK LIMITED after the establishment of TCI HK LIMITED. ◆ (January) TCI Co., Ltd. started the industry-academia collaboration project with China Medical University, Taiwan. ◆ (February) The S1 factory obtained the FSSC22000 certification. ◆ (February) TCI (Taiwan) PABP BRANCH obtained the FSSC22000 certification. ◆ (April) One of TCI's affiliates, GeNext HK LIMITED, which name had been revised as GLUX HK LIMITED.

Year	Milestone
	◆ After the issuance of employee stock option certificates of 680,000 shares, the paid-in capital had become NT$ 304,796,000. ◆ (August) After the capitalization of retained earnings transferred to capital of NT$ 89,438,000 had been implemented, the paid-in capital had become NT$ 394,234,000. ◆ (September) TCI Co., Ltd. started its initial listing on the Taipei Exchange (TPEx). After the capital increased by cash (NT$ 44,570, 000) prior to the initial listing, the paid-in capital had become NT$ 438,804,000. ◆ (October) TCI Co., Ltd. obtained the 22th National Award of Outstanding SMEs held by the Small and Medium Enterprise Administration, Ministry of Economics Affairs.
2014	◆ (April) TCI Co., Ltd. signed the memorandum of understanding (MOU) with DAIDO Pharmaceutical Corp. ◆ (April) TCI Co., Ltd. obtained 2 gold medals, 1 silver medal, and 2 bronze medals, and 1 special prize at the Geneva International Exhibition of Inventions. ◆ (July) The S7 factory, the facial mask factory of BioCosme, Shanghai BioTech Group, started its operation. ◆ (August) After the issuance of employee stock option certificates of 562,000 shares and the capitalization of retained earnings transferred to capital of NT$ 65,821,000 had been implemented, the paid-in capital had become NT$ 510,244,000. ◆ (October) After the capital increased by private replacement of NT$ 46,000,000, the paid-in capital had become NT$ 556,244,000.
2015	◆ (April) TCI Co., Ltd. obtained 2 gold medals, 2 silver medals, and the Best Invention of the Far East award at the Invention & New Product Exposition (INPEX). ◆ (May) TCI Co., Ltd. obtained the Meiyi award by our Cell Young® Snowlotus Bio-cellulose Mask. ◆ (August) After the issuance of employee stock option certificates of 16,000 shares and the capitalization of retained earnings transferred to capital of NT$ 55,624,000 had been implemented, the paid-in capital had become NT$ 612,028,800. ◆ (September) The S9 factory, our second factory in the Pingtung Agricultural Biotechnology Park, started its operation. ◆ TCI Co., Ltd. was named on the list of 3rd mittelstand firms recognized by the Ministry of Economic Affairs. ◆ Our general manager, Yung-Hsiang Lin, was recognized as one of the 53th Ten Oustanding Young Persons in Taiwan. ◆ The S5 factory obtained the NSF/BRC certification and the Sedex certification. ◆ The S7 factory obtained the ISO 9001 certification, the ISO 14001 certification, and the OHSAS 18001 certification. ◆ TCI Co., Ltd. obtained the Innovation Prize for personal care and cosmetic products in China (classified in the category: anti-aging materials).

Year	Milestone
	◆ TCI Co., Ltd. obtained 1 bronze medal and 1 special prize at the iENA Nuremberg. ◆ TCI Co., Ltd. obtained iF Design Award 2015 by the beverage display carrier box for AQUAGEN.
2016	◆ (February) TCI Co., Ltd. obtained the Innovation Prize for personal care and cosmetic products in China (classified in the category: functional materials). ◆ (April) The S8 factory, the functional beverage factory of BioFunction, Shanghai BioTech Group, started its operation. ◆ (April) TCI Co., Ltd. was named on the top 20% list of the 2nd Corporate Governance Evaluation for TWSE/TAPEX Listed Companies (1,447 companies joined this evaluation). ◆ (May) TCI Co., Ltd. was named on the list of Taiwan Top 2000 recognized by the Common Wealth Magazine: ranked 49th in the annual growth rate of annual revenue; ranked 216th in the net profit margin; and ranked 932th in the annual revenue. ◆ (August) After the issuance of employee stock option certificates of 329,539 shares and the capitalization of retained earnings transferred to capital of NT$ 78,332,000 had been implemented, the paid-in capital had become NT$ 75,370,000. ◆ (November) Our general manager, Yung-Hsiang Lin, obtained the EY Entrepreneur Of The Year Taiwan (Excellence in Innovation). ◆ TCI Co., Ltd. obtained 2 gold medals, 2 silver medals and 1 excellence prize at the 44th Geneva International Exhibition of Inventions. ◆ TCI Co., Ltd. obtained 2 gold medals, 1 silver medal and 1 special prize at the 31th Invention & New Product Exposition (INPEX). ◆ TCI Co., Ltd. obtained 1 gold medal, 1 silver medal and 1 special prize at the 30th World Genius Convention and Education Expo. ◆ TCI Co., Ltd. obtained 2 gold medals, 1 silver medal and 1 special prize at the Seoul International Invention Fair (SIIF). ◆ TCI Co., Ltd. obtained 2 Meiyi awards.
2017	◆ (April) TCI Co., Ltd. was named on the top 20% list of the 3rd Corporate Governance Evaluation for TWSE/TAPEX Listed Companies (1,496 companies joined this evaluation). ◆ (May) TCI Co., Ltd., BioCosme PABP BRANCH had been established. ◆ (July) After the issuance of employee stock option certificates of 16,000 shares and the capitalization of retained earnings transferred to capital of NT$ 113,432,000 had been implemented, the paid-in capital had become NT$ 870,117,000. ◆ (October) The S11 factory started its operation. ◆ TCI Co., Ltd. obtained 2 gold medals, 2 silver medals, and 2 special prizes at the 2017 Geneva International Exhibition of Inventions. ◆ TCI Co., Ltd. obtained 1 gold medal and 3 silver medals at the Concours Lépine International Paris 2017.

Year	Milestone
	◆ TCI Co., Ltd. obtained 1 gold medal and 1 special prize at the 2017 Invention & New Product Exposition (INPEX). ◆ TCI Co., Ltd. obtained 1 gold medal and 2 silver medals at the 2017 XIX Moscow International Salon of Inventions and Innovative Technologies (Archimedes). ◆ TCI Co., Ltd. obtained 1 gold medal, 1 silver medal and 1 special prize at the 31th World Genius Convention and Education Expo. ◆ The Indonesia Office of TCI Co., Ltd. started its operation. ◆ The branch company of TCI Co., Ltd. had been established in the Utah State, the United States. ◆ Shanghai BioTech Group was recognized as one of the most influential enterprises at the Healthplex Expo and Natural & Nutraceutical Products China 2017 (HNC). ◆ TCI Co., Ltd. obtained the best award for biotechnology companies in Taiwan: the Oustanding Company of the Year. ◆ TCI Co., Ltd. is first on the Forbes Asia's 200 Best Under A Billion List. ◆ TCI Co., Ltd. obtained the 4th Taiwan Mittelstand Award held by the Ministry of Economic Affairs.
2018	◆ The S11 factory obtained the ECOCERT - COSMOS® ORGANIC certification. ◆ (April) TCI Co., Ltd. was named on the top 20% list of the 4th Corporate Governance Evaluation for TWSE/TAPEX Listed Companies (1,539 companies joined this evaluation). ◆ (August) After the capitalization of retained earnings transferred to capital of NT$ 130,518,000 had been implemented, the paid-in capital had become NT$ 1,001,219,000. ◆ TCI Co., Ltd. obtained 2 gold medals, 2 silver medals, and 1 special prize at the 2018 Geneva International Exhibition of Inventions. ◆ TCI Co., Ltd. obtained 1 gold medal, 2 silver medals, and 1 special prize at the 2018 Silicon Valley International Invention Festival. ◆ TCI Co., Ltd. obtained 2 gold medals, 2 silver medals and 1 special prize at the 2018 World Genius Convention and Education Expo.
2019	◆ TCI Co., Ltd. obtained 1111 Happy Enterprise Award ◆ TCI Co., Ltd. obtained Outstanding Business Award at the 25th National Quality Award ◆ TCI Co., Ltd. was named in the "Top 100 Fast-Growing Companies" with "Top-ranked profit" by CommonWealth Magazine. ◆ TCI Co., Ltd. ranked in 5% of TWSE listed companies in the Corporate Governance Evaluation. ◆ TCI Co., Ltd. was named in 5th place of top 50 companies with best business performance in Top 2000 Survey by CommonWealth Magazine ◆ TCI Co., Ltd. was named in 4th place in the Medium-Size Enterprise Group at 2019 Excellence in Corporate Social Responsibility Award ◆ TCI Co., Ltd. was named in 9th place in the Little Giant Group at 2019 Excellence in Corporate Social Responsibility Award

Year	Milestone
	◆ TCI Co., Ltd. was named in the list of top 500 excellent manufacturers and traders of agricultural biotechnology industry in Business Startup Group in National Innovation Award (for the Double Nutri technology) ◆ TCI Co., Ltd. obtained a Silver Award at the Green World Awards. TCI Co., Ltd. obtained EcoVadis Silver Corporate Social Responsibility (CSR) Medal. ◆ TCI Co., Ltd. obtained Green World Award and will be the Green World Ambassador in 2020. ◆ TCI Co., Ltd. established a BSL-2 laboratory for food pathogen testing and the advancement of professional testing. ◆ TCI Co., Ltd. obtained invention awards in various international events (in Geneva, the US, Canada, the UK, Germany, Japan, Korea, Russia, etc.). ◆ In 2019, TCI Co., Ltd. obtained 69 international invention awards: ◆ 3 gold medals, 3 bronze medals and 1 special award at Geneva International Exhibition of Inventions; ◆ 4 gold medals, 3 silver medals and 1 special award at the 33rd World Genius Convention and Education Expo; ◆ 3 gold medals, 2 silver medals, 1 bronze award and 2 special awards at the Silicon Valley International Invention Festival; ◆ 11 gold medals and 12 special awards at the British Invention Show; ◆ 5 gold medals and 5 special awards at the International Invention Innovation Competition in Canada; ◆ 1 silver medal, 2 bronze medals and 1 speical award at the iENA 2019 international trade fair; ◆ 2 gold medals, 4 silver medals, 2 bronze medals and 1 special award at the Seoul International Invention Fair.

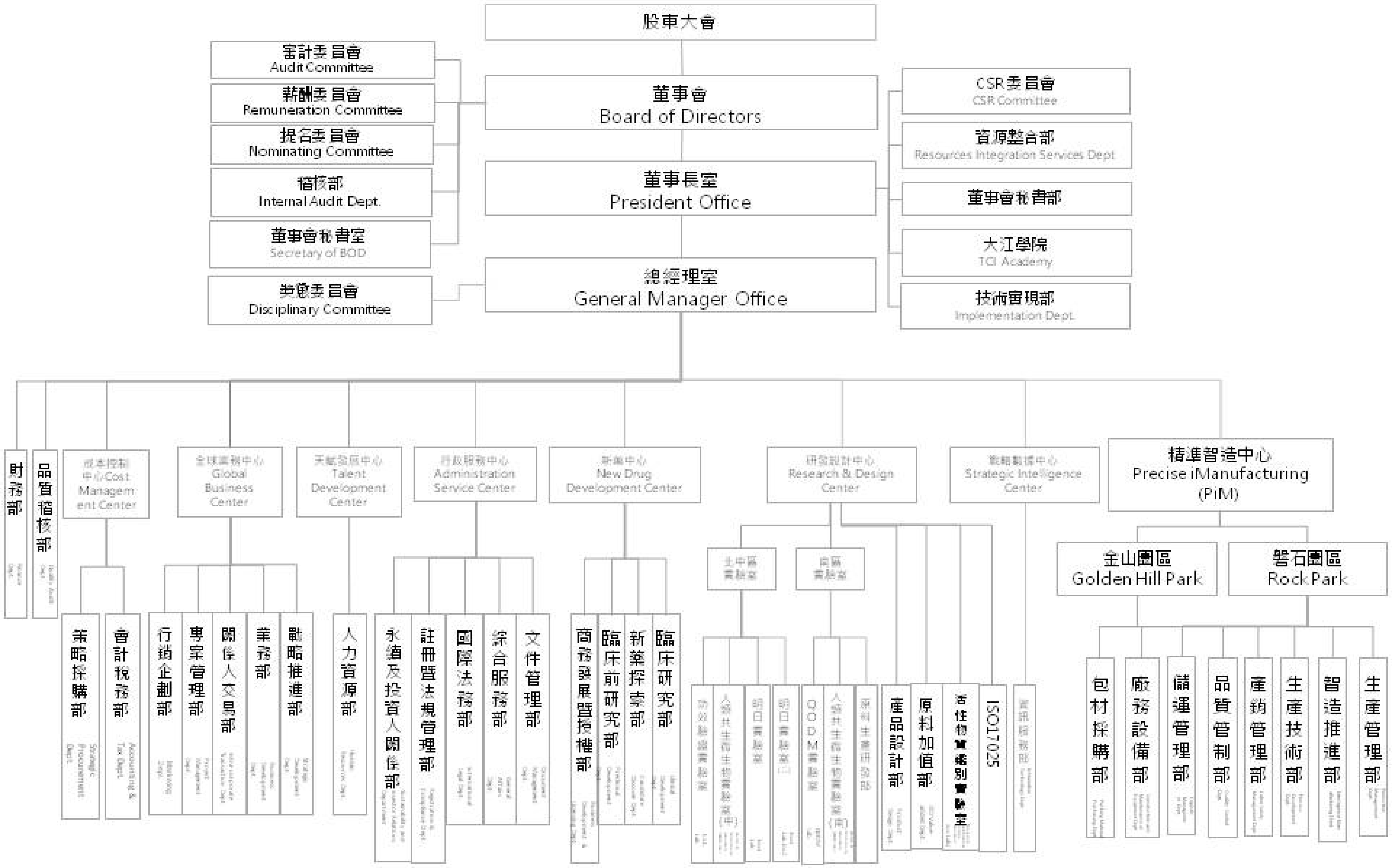
3. Global Offices of TCI Group

III. Corporate Governance Report

1. Organization

(1) Organizational Chart

2020集團組織圖 TCI ONE Organization Chart



(2) Responsibilities of each department

Department/ Center	Responsibilities
Internal Audit Dept.	1. Planning and formulating various audit policies and procedures, including internal audit regulations, internal audit implementation rules, and internal audit operation manuals. 2. Proposing audit plans, performing audits of each department, submitting audit reports, and tracking improvements.
Remuneration Committee	In a professional and objective fashion, the Remuneration Committee is responsible for evaluating the remuneration policies and systems of the company, providing advice to the Board of Directors to assist the Board in assessing the link between the salary level of the company's directors, supervisors and managers and the company's operating performance.
Audit Committee	The Audit Committee is responsible for monitoring the accounting/financial reports of the company and assessing the management of major assets and the issuance of securities.
Nominating Committee	The Nominating Committee is responsible for nominating the candidates for the Board and executive management.
Disciplinary Committee	The Disciplinary Committee, playing an important role in the company's internal management, is responsible for establishing a comprehensive system for employee rewards and punishment to realize the company philosophy of open rewards and punishments, rationally deal with disputes, protect employees' rights.
General Manager Office	1. The chief staff department to assist the General Manager 2. Assisting in planning business strategies and policies, and coordination of business affairs and labor. 3. Commanding, coordinating, and managing production lines to meet the company's operating goals and customer needs in a timely manner. 4. Coordinating relevant departments to provide timely support to facilitate smooth production. 5. Supervising the Quality Audit Departement, which is in charge of planning, performing, and monitoring internal quality audits and affairs concerning factory certification. 6. Supervising the Strategic Procurement Department and Marketing Department in raw/packaging material management and marketing strategies.
Finance Dept.	1. Financial management, including financial planning and analysis, fundraising and investment decision-making and fund management 2. Stock operations and operations of the Board of directors and shareholders' meetings
Research & Design Center	1. Design and development of new products. 2. Product improvement 3. Producing samples that meet customers' requirements. 4. Verification of product efficacy 5. Verification of product quality 6. Patent application 7. Sample specification review 8. Search and development of raw materials 9. Research and development of dosage forms, product specifications, functions and efficacy

Department/ Center	Responsibilities
Talent Development Center	1. Planning and execution of recruitment and retention of employees 2. Planning and coordination of labor and organizations 3. Staff resignation, recruitment and employment and salary accounting 4. Planning and execution of employee training and development 5. Establishment and implementation of the reward system 6. Management and implementation of labor pension, labor and health insurance and other welfare measures 7. Establishment and implementation of management regulations and human resources-related systems 8. Planning and execution of employee performance and execution 9. Assessment and management of employee attendance 10. Maintaining and strengthening employee care and employee relations
Administration Service Center	1. Overall management of company personnel affairs, general affairs and legal affairs. 2. Staff resignation, recruitment and employment and salary accounting 3. Planning and coordination of employee training. 4. Procurement of office supplies 5. Management of labor and health insurance 6. Planning and establishment of management rules and regulations 7. Employee welfare management. 8. Implementation of employee appraisal programs 9. Employee attendance management 10. Planning and arrangement of business trips and expense audits. 11. Numbering and management of corporate assets 12. Document management 13. Contract review 14. Collection of cosmetics and food-related laws and regulations
Global Business Center	1. Business planning and development. 2. Order review and signing. 3. Handling of customer complaints, customer visits, timely provision of items required by customers 4. Attending exhibitions at home and abroad 5. Product design 6. Marketing
Precise iManufacturing (PiM) Rock Park Golden Hill Park	1. Planning of manufacturing processes and product manufacture. 2. Planning and control of production schedules 3. Production, manufacture and management of products and monitoring of manufacturing processes 4. Warehousing, transportation and management of raw/packaging materials, semi-finished products, and finished products. 5. Equipment automation and process improvement management 6. Quality control, IQC, IPQC (manufacture and packaging), FQC, and material acceptance 7. Analysis of defective products, analysis of customer complaints, and handling of customer complaints.

Department/ Center	Responsibilities
	8. Tracking and handling problems concerning abnormal product quality and taking preventive measures. 9. Establishment, execution and maintenance of the quality system 10. Execution and management of instrument calibration 11. Assisting in the handling of customer complaints. 12. Management of quality assurance-related documents 13. Factory staff resignation, recruitment, and employment, management of labor and health insurance and salary accounting 14. Procurement of business supplies
Strategic Intelligence Center	1. Planning, procurement, maintenance and storage of hardware and software and backup production. 2. Handling of problems of weak current and telephone equipment 3. Program development and design 4. Preparation of financial statements 5. Financial analysis 6. Preparation and analysis of management reports 7. Management and preservation of account books
Cost Management Center	1. Preparation of financial statements. 2. Financial analysis 3. Preparation and analysis of management reports 4. Management and preservation of account books 5. Supervising the Strategic Procurement Department and Marketing Department in matters concerning raw/packaging materials and marketing strategies

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

(1) Information Regarding Board Members and Supervisors

A. Information Regarding Board Members and Supervisors

As of 04/20/2020; Unit: share; %

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experience	Selected Current Positions at TCI and Other Companies	Other Heads, Directors,or Supervisors as Spouse or Kin within the Second Degree			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	R.O.C	Yung-Chiang Investment Co., Ltd.	–	2017 5.19	3 years	2017.5	2,345,745	2.70%	3,564,623	2.98%	0	0.00%	0	0.00%	–	–	–	–	–	
Chairman	R.O.C	Authorized Representative: Yung-Hsiang Lin	Male	2017 5.19	3 years	2017.5	77,845	0.10%	1,622,405	1.36%	38,000	0.03%	0	0.00%	Bachelor Degree in Botany, National Chung Hsing University Former Deputy General Manager, TCI Co., Ltd. Former Manager, Biomedical Department, Ta Chiang International Co., Ltd. Former Deputy Manager, Marketing Department, Hsin-Fa International Biotechnology Inc. Former Specialist, General Manager's Office, Genesis Biotech Inc.	(Note 1)	Deputy General Manager	Yung-Hao Lin	Brothers	(Note 2)
Director	R.O.C	Yang Guang Investment Co., Ltd.	–	2017 5.19	3 years	2017.5	3,673,000	4.22%	4,659,053	3.89%	0	0.00%	0	0.00%	–	–	–	–	–	
Director	R.O.C	Authorized Representative: Bi-shu Li	Female	2019 9.30	3 years	2019.9	0	0.00%	1,324	0.00%	0	0.00%	0	0.00%	Professional Master's Degree in Business Administration, National Taiwan University EMBA, National Taiwan University Deputy General Manager, PwC Taiwan Senior Associate, Ernst & Young Global Limited Liability Partnership	Chairman-cum-Director, Uchen Management & Consulting Co., Ltd. Independent Director, convener of Audit Committee and member of Salary and Remuneration Committee, Hong pu Real Estate Development Co., LTD. Independent Director and convener of Audit Committee, Everspring Industry Co., Ltd. Member of Remuneration Committee, HSIN-LI CHEMICAL INDUSTRIAL CORP. Supervisor, Yung-Chiang Investment Co., Ltd. Supervisor, Sunshine Bless Association	–	–	–	(Note 3)
Director	Japan	DyDo Group Holdings, INC.	–	2017 5.19	3 years	2017.5	7,447,100	8.56%	9,593,216	8.02%	0	0.00%	0	0.00%	–	–	–	–	–	
Director	Japan	Authorized representative: Tomiya Takamatsu	Male	2017 5.19	3 years	2017.5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor Degree in Economics, Kyoto University Former Director, Dydo Group Holdings, INC.	President, DyDo Group Holdings,INC.	–	–	–	

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experience	Selected Current Positions at TCI and Other Companies	Other Heads, Directors,or Supervisors as Spouse or Kin within the Second Degree			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	R.O.C	Lung-Yi Liao	Male	2017 5.19	3 years	2012.3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor Degree in Economics, National Taiwan University Former Independent Director, China Development Financial (CDF) Former General Manager and Director, First Bank Former Director, Chang Hwa Bank Former Director, Mega Bills Finance Co., Ltd. Former Director, Taiwan Fire and Marine Insurance Co., Ltd. Former Director, Taiwan Asset Management Corp. Former Chairman, Trust Association of R.O.C.	Member of Audit Committee, TCI Co., Ltd. Member of Renumeration Committee, TCI Co., Ltd. Managing Director, China Development Financial (CDF) Director, KGI Bank	—	—	—	
Independent Director	R.O.C	Shou-Lu Chang	Male	2017 5.19	3 years	2012.3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor Degree in Economics, National Taiwan University Former Branch Manager and Senior Executive Officer, Hua Nan Bank Former Director, Marketing Division, Hua Nan Bank Former Manager, Global Business Deparment, Hua Nan Bank Former Auditor General, Hua Nan Financial Holdings Former Supervisor, Chunghua Real-Estate Management Co. Former Director, Cdib & Partners Investment Holding Corp. Former Independent Director, Topco Technologies Corp.	Member of Audit Committee, TCI Co., Ltd. Member of Renumeration Committee, TCI Co., Ltd. Member of Renumeration Committee, Topco Technologies Corp.	—	—	—	
Independent Director	R.O.C	Sung-Yuan Liao	Male	2017 5.19	3 years	2017.5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Doctor Degree, National Chung Hsing University Former Associate Professor, Department of Life Science, National Chung Hsing University	Member of Audit Committee, TCI Co., Ltd. Member of Renumeration Committee, TCI Co., Ltd.	—	—	—	
Independent Director	R.O.C	Chen-Yi Kao	Male	2017 5.19	3 years	2017.5	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Doctor Degree in Chemistry, Tufts University Professor, Graduate Institute of Biochemistry, National Chung Hsing University	Member of Audit Committee, TCI Co., Ltd. Member of Renumeration Committee, TCI Co., Ltd. Professor, Graduate Institute of Biochemistry, National Chung Hsing University	—	—	—	

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

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

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

Note 3: Li Bishu was assigned as the authorized representative of Yang Guang Investment Co., Ltd. on September 30, 2019.

B. Major shareholders of corporate shareholders

As of 04/20/2020

Name of Corporate Shareholder	Major Shareholders
Yung-Chiang Investment Co., Ltd.	Yung-Hsiang Lin (70.07%), Yung-Hao Lin(29.90%), Yung-Chiang Investment Co., Ltd.
Yang Guang Investment Co., Ltd.	Wu-Nan Yang (50%), Shujun Guan (25%)
DyDo Group Holdings,Inc.	High-wood Corporation(14.91%), Santomi Co., Ltd. (12.14%), Taita Corporation (4.33%), Mitsuhiro Takamatsu (2.98%), Tomiya Takamatsu (2.98%), Akira Takamatsu (2.98%) 、Japan Trustee Services Bank, Ltd. (1.88%) 、Tamon Takamatsu (1.84%), The Master Trust Bank of Japan ,Ltd. (1.82%) 、Lemon Gas Kagoshima Co., Ltd. (1.50%)

C. Authorized Representatives as major shareholders of corporate shareholders

As of 04/20/2020

Name	Major Shareholders
Yung-Chiang Investment Co., Ltd.	Yung-Hsiang Lin (25%), Jiade Investment Co., Ltd.(75%)

D. Qualifications and Independence Criteria of Directors

As of 04/20/2020

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

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

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

(1) Not an employee of the company or any of its affiliates;

(2) Not a director or supervisor of the company or any of its affiliates.;

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;

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

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

As of 04/20/2020; Unit: share; %

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experience	Selected Current Positions at Other Companies	Other Managers as Spouse or Kin within the Second Degree		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
General Manager	R.O.C.	Yung-Hsiang Lin	Male	2010.8	1,622,405	1.36%	38,000	0.03%	0	0.00%	Bachelor Degree in Botany, National Chung Hsing University Former Deputy General Manager, TCI Co., Ltd. Former Manager, Biomedical Department, Ta Chiang International Co., Ltd. Former Deputy Manager, Marketing Department, Hsin-Fa International Biotechnology Inc. Former Specialist, General Manager's Office, Genesis Biotech Inc.	Note 1	Deputy General Manager	Yung-Hao Lin	Brothers
Deputy General Manager	R.O.C.	Yung-Hao Lin	Male	2012.1	260,359	0.22%	0	0.00%	0	0.00%	Bachelor Degree in Agricultural Management, National Chiayi University Former Assitant Vice President, Sales Department, TCI Co., Ltd. Former Associate Manager, Sales Department, TCI Co., Ltd. Chia-Yung Industrial Co.	Executive Director & Director's Representative, BioCosme, Shanghai BioTech Group Director, BioScience, Shanghai BioTech Group Director, BioTrade, Shanghai BioTech Group Director's Representative, BioCosme, BioTech Group Director's Representative, TCI Gene Inc.	General Manager	Yung-Hsiang Lin	Brothers
Assitant Vice President, Finance Department	R.O.C.	Cheng-Hsien Chiang	Male	2014.1	42,000	0.04%	0	0.00%	0	0.00%	Master's Degree in Finance, Ming Chuan University Former Manager, Finance Department, TCI Co., Ltd. Former Manager & Spokesperson, Finace & Accounting Deparment, Yoko International Corp.	Supervisor's Representative, TCI Firstek Corp. Supervisor's Representative, TCI Co., Ltd. Supervisor's Representative, TCI Living Co., Ltd. Director, PT TCI BIOTEK INDO	None	None	None
Assitant Vice President, Precise iManufacturing	R.O.C.	Chih-Cheng Tsai	Male	2017.1	22,000	0.02%	0	0.00%	0	0.00%	MBA, Thunderbird School of Global Management Former Sales Representative, Chin Haoo Trading Co., Ltd. Former Research Assistant, Animal Technology Laboratories	Director, BioFunction, Shanghai BioTech Group Director, BioTrade, Shanghai BioTech Group Director's Representative, BioCosme, BioTech Group	None	None	None
Assistant Vice President, Strategic Intelligence Center	R.O.C.	Yueh Min	Female	2019.2	20,736	0.02%	0	0.00%	0	0.00%	Master's Degree in SAP Consulting, Beihang University Former Assitant Vice President, TCI Co., Ltd.	None	None	None	None
Supervisor, Research & Design Center	R.O.C.	Ching-ting Chen	Female	2017.1	28,985	0.02%	0	0.00%	0	0.00%	Master's Degree in Chemistry, National Taiwan University Master's Degree R&D chief, TCI Co., Ltd.	None	None	None	None
Supervisor, Cost Management Center	R.O.C.	Chen-chen Fu	Female	2018.11	9,000	0.01%	0	0.00%	0	0.00%	Bachelor Degree in Public Finance, Feng Chia University Former Manager, TCI Co., Ltd.	Authorized representative of corporate director of TCI LIVING Co., Ltd.	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and Experience	Selected Current Positions at Other Companies	Other Managers as Spouse or Kin within the Second Degree		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Supervisor, Administration Service Center	R.O.C.	Tung-wei Li	Male	2019.7	7,000	0.01%	0	0.00%	0	0.00%	Master's Degree, the University of the Pacific, McGeorge School of Law Manager-cum-Spokesperson, TCI Co., Ltd.	None	None	None	None
Talent Development Center	R.O.C.	Li-chun Tsai	Female	2019.7	0	0.00%	0	0.00%	0	0.00%	Master's Degree in Management, Chang Gung University Manager, TCI Co., Ltd.	None	None	None	None
Manager, Accounting & Tax Department	R.O.C.	Jui-Yi Wu	Male	2017.1	16,316	0.03%	8,211	0.01%	—	—	Bachelor Degree in Accounting, Chung Yuan Christian University Former Deputy Manager, Accounting Department, Hantic Precision Technology. Inc. Former Deputy Manager, Audit Deparment, KPMG in Taiwan	None	None	None	None
Supervisor, Audit Department	R.O.C.	Wei-Chiang Chi	Male	2014.10	0	0.00%	0	0.00%	0	0.00%	Bachelor Degree in Accounting, Tamkang University Certified Internal Auditor (CIA) Former Manager, Audit Department, Pharmtak Taiwan Co., Ltd. Former Director, Scientech Corporation	None	None	None	None
Supervisor, Corporate Governance	R.O.C.	Chen-chia Huang	Male	2019.10	10,900	0.01%	0	0.00%	0	0.00%	Bachelor Degree in Law, Soochow University Intellectual Property Certification Consultant, Friendly Law Office (富蘭德林法律事務所) Legal Affairs Assistant Manager, TCI Co., Ltd.	None	None	None	None

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

Note 2: The Deputy General Manager Weijie Liao resigned on January 31, 2020.

Note 3: The Assitant Vice President of Global Business Center Hung-Fu Wang passed away on May 24, 2019.

(3) Remuneration Paid to Directors, Supervisors, General Manager, Deputy General Managers in 2019

A. Remuneration Paid to Directors (including independent directors) in 2019

Year 2019

Unit: NT$1,000 / 1000 shares

Title	Name	Director's Remuneration								Total Remuneration (A+B+C+D) as a % of 2018 Net Income		Compensation Earned by a Director Who is an Emplyee of TCIof TCI's Consolidated Entities								Total Compensation (A+B+C+D+E+F+G) as a % of 2017 Net Income		Compensation Paid to Directors from Non-consolidated Affiliate
		Base Compensation (A) (Note 2)		Severance Pay and Pensions (B)		Compensation to Directors (C)		Allowances (D) (Note 4)				Base Compensation, Bonuses and Allowances (E)		Severance Pay and Pensions (F)		Employees' Profit Sharing Bonus (G)						
		From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	From TCI		From All Consolidated Entities		From TCI	From All Consolidated Entities	
																Cash	Stock	Cash	Stock			
Director	Yong-Chiang Investment Co., Ltd. Authorized Representative: Yung-Hsiang Lin Yang Guang Investment Co., Ltd. Authorized Representative: Jui-Hua Tsai Yang Guang Investment Co., Ltd. Authorized Representative: Pi-shu Li DyDo Group Holdings, INC. Authorized representative: Tomiya Takamatsu	－	－	－	－	1,800	1,800	240	240	0.1%	0.1%	25,277	42,675	－	－	25,498	－	25,498	－	2.5%	3.38%	52,815
Independent Director	Lung-Yi Liao Shou-Lu Chang Sung-Yuan Liao Chen-Yi Kao	－	－	－	－	2,400	2,400	880	880	0.16%	0.16%	－	－	－	－	－	－	－	－	0.16%	0.16%	3,280

1. Please state the policy, system, standards and structure of independent directors 'remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested, etc.:
   The performance evaluation and salary and remuneration of independent directors have been reviewed and approved by the Company's Remuneration Committee and determined by the Board of Directors, with reference to the normal level of the industry and the situation of payment, taking into account the results of individual performance evaluation, the time invested and the responsibilities that have been undertaken.
2. Except the persons listed in the above table, if there is any director who receives the remuneration from the companies listed in the Financial Statements (e.g., the director provides consulting service for any person belonging to the companies listed in the Financial Statements): None

Brackets for Compensation Paid to Directors

Brackets for Compensation Paid to Directors	Name			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	From TCI	From All Consolidated Entities H	From TCI	From All Consolidated Entities I
Less than NT$ 1,000,000	Yung-Hsiang Lin, Jui-Hua Tsai,Pi-shu Li, Tomiya Takamatsu, Tomiya Takamatsu, Shou-Lu Chang, Shou-Lu Chang, Chen-Yi Kao	Yung-Hsiang Lin, Jui-Hua Tsai,Pi-shu Li, Tomiya Takamatsu, Tomiya Takamatsu, Shou-Lu Chang, Shou-Lu Chang, Chen-Yi Kao	Jui-Hua Tsai,Pi-shu Li, Tomiya Takamatsu, Tomiya Takamatsu, Shou-Lu Chang, Shou-Lu Chang, Chen-Yi Kao	Jui-Hua Tsai,Pi-shu Li, Tomiya Takamatsu, Tomiya Takamatsu, Shou-Lu Chang, Shou-Lu Chang, Chen-Yi Kao
NT$ 1,000,000～NT$1,999,999	—	—	—	—
NT$2,000,000～NT$3,499,999	—	—	—	—
NT$3,500,000～NT$4,999,999	—	—	—	—
NT$5,000,000～NT$9,999,999	—	—	—	—
NT$10,000,000～NT$14,999,999	—	—	—	—
NT$15,000,000～NT$29,999,999	—	—	—	—
NT$30,000,000～NT$49,999,999	—	—	—	—
NT$50,000,000～NT$99,999,999	—	—	Yung-Hsiang Lin	Yung-Hsiang Lin
Equal to or more than NT$100,000,000	—	—	—	—
People in total	8	8	8	8

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

B. Compensation Paid to General Manager & Deputy General Managers in 2019

Year 2019; Unit: NT$1,000 / 1000 shares

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonuses and Allowances (C)		Employees' Profit Bonus (D)				Total Remuneration (A+B+C+D) as a % of 2019 Net Income		Compensation Paid to Directors from Non-consolidated Affiliates
		From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities	From TCI		From All Consolidated Entities		From TCI	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
General Manager	Yung-Hsiang Lin (Note)	17,046	40,917	0	0	15,966	22,571	33,208	0	33,208	0	3.28%	4.80%	66,220
Deputy General Manager	Yung-Hao Lin													
Deputy General Manager	Wei-Chieh Liao													

Note: The Company provides a business car for the Chairman and the General Manager. The cost of the car is NT$ 1,880,000. The current value is NT$0 as of December 31, 2019.

Brackets for Compensation Paid to General Manger & Deputy General Managers

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

C. Employee Compensation Amount Paid to Managers

Year 2019: Unit: NT$1,000

	Title (Note 1)	Name (Note 1)	Stock Bonus Amount	Cash Bonus Amount	Total	Ratio of Total Amount to Net Income (%)
Manager	General Manager	Yung-Hsiang Lin	0	40,322	40,322	2%
	Deputy General Manager, Global Business Center	Yung-Hao Lin				
	Assitant Vice President, Precise iManufacturing	Chih-Cheng Tsai				
	Assistant Vice President, Strategic Intelligence Center	Yueh Min				
	Assitant Vice President, Finance Department	Cheng-Hsien Chiang				
	Supervisor, Cost Management Center	Chen-Chen Fu				
	Manager, Accounting & Tax Department	Jui-Yi Wu				
	Supervisor, Internal Audit Department	Wei-Chiang Chi				
	Deputy General Manager, Strategic Intelligence Center	Wei-Chieh Liao				
	Assitant Vice President, Global Business Center	Hung-Fu Wang				
	General Manager	Yung-Hsiang Lin				
	Deputy General Manager, Global Business Center	Yung-Hao Lin				

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

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

Unit: NT$1,000

Year	Brackets for Compensation Paid to Directors, Supervisor, President, and Vice President		Ratio of 2019 total Remuneration to Net Income	
	From TCI	From All Consolidated Entities	From TCI	From All Consolidated Entities
2018	30,677	91,474	1.70%	5.06%
2019	71,540	102,016	3.51%	5.01%

i. If the directors of the Company perform their duties, the Company has to pay compensation to all directors regardless of the Company's operating performance. The Board of Directors is authorized to determine the remuneration for each director in accordance with his/her contribution to the Company, and the Board of Directors shall refer to the usual level of the remuneration for its final decisions.

ii. The remuneration for the general manager and the deputy general managers of the Company shall be determined in accordance with the provisions of Article 29 of the Company Act.

In summary, the Company's policy of paying the remuneration for the general manager and deputy general managers, and directors, and the procedures for setting remuneration are based on the usual level of remuneration in the industry, and the time invested by each individual, the responsibilities, the accomplishment of personal goals, and their job performance, the salary level for the same position, and the Company's short-term and long-term business objectives, the Company's financial status, and the correlation between individual performance and the Company's operating performance and future risks. The Company’s annual revenue (the overall revenue of the whole TCI group, the definition of any “annual revenue”in this report is the same) was NT$ 9,566,132,000. Compared with the annual revenue of NT$8,098,414,000 in 2018, the annual revenue had grown by 18%. The pre-tax income in 2019 was NT$2,405,231,000. Compared with the pre-tax income of NT$2,206,537,000 in 2018, the pre-tax income had grown by 9%. The net income in 2019 was NT$2,037,966,000. Compared with the net income of NT$1,807,379,000 in 2018, the net income had grown by 12.76%. The earnings per share was NT$17.02, which had grown by 9.9% compared with 2018 (NT$15.48) and showed a positive correlation. The relevant figures have been disclosed in the Annual Report in compliance with the relevant laws and regulations, and therefore the future risk of the Company shall be minor or moderate.

3. Corporate Governance Practices

(1) Board of Directors Meeting Status

There were 7 regular meetings convened in 2019. The directors’ attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%)(B/A)	Notes
Chairman	Yong-Chiang Investment Co., Ltd. Authorized Representative: Yung-Hsiang Lin	7	0	100%	
Director	Yang Guang Investment Co., Ltd. Authorized Representative: Jui-Hua Tsai	5	0	100%	Left office in September, 2019

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%)(B/A)	Notes
Director	Yang Guang Investment Co., Ltd. Authorized Representative: Pi-shu Li	2	0	100%	Assumed new office in September, 2019
Director	DyDo Group Holdings, INC. Authorized Representative: Tomiya Takamatsu	5	2	71.43%	
Independent Director	Lung-Yi Liao	7	0	100%	
Independent Director	Shou-Lu Chang	7	0	100%	
Independent Director	Sung-Yuan Liao	7	0	100%	
Independent Director	Chen-Yi Kao	7	0	100%	

Annotations:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified.
   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act：
   Not applicable. The Company has already established an audit committee.
   (2) Other resolutions opposed or reserved by the independent directors with records or written statements: None
2. If there are directors' avoidance of motions in conflict of interest, the directors's names, contents of motion, causes for avoidance and voting should be specified.

Meeting Date	The Meeting No.	Proposal	Reasons for Recusal	Participation in Deliberation
2019/12/18	20197th Regular Meeting	The proposal to adjust the renumeration of Directors and Independent Directors of the Company from 2020	This case had some benefits for the directors (including independent directors), and the benefits were avoided.	After the interested parties were excluded, the chairman (or the acting chairman) consulted the remaining directors and approved this case without objection.

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

Implementation of Board Evaluation

Frequency (Note 1)	Period (Note 2)	Scope (Note 3)	Method (Note 4)	Content (Note 5)
Once a year	From January 1, 2019 to December 31, 2019	Performance evaluation of the Board of Directors, individual Board members and functional committees	Internal self-evaluation of the Board of Directors, self-evaluation of Directors	(1) Performance evaluation of the Board of Directors: including the extent of participation in the Company's operations, the quality of the board's decisions, the composition and structure of the Board of Directors, the selection and continuous training of Directors, internal control, etc. (2) Individual performance evaluation of Directors: including the Company's objectives and tasks, Directors' responsibilities, participation in the Company's operations, internal relationship management and communication, Directors' professional and continuous training, internal control, etc. (3) Performance evaluation of functional committees: the extent of participation in the company's operations, the recognition of the responsibilities of functional committees, the quality of decisions of functional committees, the composition of functional committees and the selection of members, internal control, etc.

(2) Information of Audit Committee

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

a. The appropriate expression of the Company's financial statements;

b. The independence and the performance of the CPAs; the selection (dismissal) of the CPAs;

c. The effective implementation of internal control;

d. Supervising the Company to comply with relevant laws and regulations;

e. Controling the existing or the potential risks of the Company.

B. Audit Committee Meeting Status

There were 7 regular meetings convened in 2019. The independent directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Notes
Independent Director	Lung-Yi Liao	7	0	100.00%	
Independent Director	Shou-Lu Chang	7	0	100.00%	
Independent Director	Sung-Yuan Liao	7	0	100.00%	
Independent Director	Chen-Yi Kao	7	0	100.00%	

Annotations:

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

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

Meeting Date	The Meeting No.	Proposal	Resolution	TCI's Response to Resolution
2019/1/9	2019 1st Meeting	Amendments of the Operational Procedures for Acquisition or Disposal of Assets.	Approved	Not Applicable
2019/2/20	20192nd Meeting	Review of 2018 Business Report and the 2018 Financial Statements.	Approved	Not Applicable
2019/10/30	20196th Meeting	CPA's Remuneration 2020	Approved	Not Applicable

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

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

3. Communications between the independ directors, the Company'chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

(2) Communications between the Independ Directors and the chief internal auditor

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

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

C. The major matters of communication in 2019 are shown as following table:

Date	Content of Communication	Implemention
January 9, 2019	Reporting the execution progress of annual audit plan from Octobor to December, 2018	Well-understood

Date	Content of Communication	Implemention
Feburary 20, 2019	1. Reporting the execution progress of annual audit plan in January, 2019 2. Reviewing the 2018 Statement of Internal Control System	1. Well-understood 2. Proposal submitted to the Board of Directors for resolution after approval of the Audit Committee
April 24, 2019	Reporting the execution progress of annual audit plan from February to March, 2019	Well-understood
May 16, 2019	Reporting the execution progress of annual audit plan in April, 2019	Well-understood
July 26, 2019	Reporting the execution progress of annual audit plan from May to June, 2019	Well-understood
Octobor, 30, 2019	1. Reporting the execution progress of annual audit plan from July to September, 2019 2. Establishing the Company's 2020 annual audit plan 3. Assessment of CPA's suitability and independence 4. CPA's Remuneration 2020	1. Well-understood 2. Proposal submitted to the Board of Directors for resolution after approval of the Audit Committee 3. Proposal submitted to the Board of Directors for resolution after approval of the Audit Committee 4. Proposal submitted to the Board of Directors for resolution after approval of the Audit Committee

4. Communications between the CPAs and the Audit Committee

(1) On a regular basis－The CPAs shall communicate with the audit committee on the audit plan, implementation status and results during the period before and after checking the semi-annual report and the annual report.

(2) On a irregular basis－If there is any case related to business operations and internal control that need immediate communication and discussion, the meeting shall be arranged depending on the circumstances.

(3) The maojr matters of communication in 2019 are shown as follows:

Date	Content of Communication	Implemention
2019/2/20	2018 individual and consolidated financial statements	The CPAs shall disclose the matters that should be disclosed in the audit report by the financial statements.
2019/4/24	2019 Q1 individual and consolidated financial statements	The CPAs shall disclose the matters that should be disclosed in the audit report by the financial statements.
2019/7/26	2019 Q2 individual and consolidated financial statements	The CPAs shall disclose the matters that should be disclosed in the audit report by the financial statements.
2019/10/30	2019 Q3 individual and consolidated financial statements	The CPAs shall disclose the matters that should be disclosed in the audit report by the financial statements.

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

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

Assessement Item	Implementation Status: Yes	No	Biref Explanation	Non-Implementation and Its Reason(s)
			backgrounds, including (but not limited to) skills, region, professional experience, cultural and educational background, gender and other traits to enhance the ability to operate the Board. The current Board of Directors consists of 7 directors, including 3 directors and 4 independent directors. The members have extensive experience and expertise in finance, business and management:	

Title	Name	Gender	TCI's Employee	Accounting and financial analysis skills	Business Management	Industrial Knowledge	Risk Management	A Lecturer or Higher Position in a Public or Private College
Chairman	Yung-Chiang Investment Co., Ltd. Authroized Represtative : Yung-Hsiang Lin	Male	v	v	v	v	v	
Director	Yang-Guang Investment Co., Ltd. Authroized Represtative : Pi-shu Li	Female		v	v	v	v	
Director	DyDo Group Holdings INC. Authrozied Represtative: Tomiya Takamatsu	Male		v	v	v	v	
Director	Lung-Yi Liao	Male		v	v	v	v	
Independent Director	Shou-Lu Chang	Male		v	v	v	v	
Independent Director	Sung-Yuan Liao	Male			v	v	v	v
Independent Director	Chen-Yi Kao	Male			v	v	v	v

Assessement Item	Yes	No	Biref Explanation	Non-Implementation and Its Reason(s)
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	✓		2. In addition to setting up the payroll committee and the audit committee according to law, the Company has set up a nomination committee in 2016 (Note 1).	None
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?	✓		3. The Company has established the "Rules for Self-Assessment or Peer Evaluation of the Board of Directors". According to Article 3 of the present Measures, the Board of Directors of the Company shall perform at least one performance evaluation of the internal Board of Directors each year. The internal evaluation period of the Board shall be based at the end of each year. The assessment procedures and assessment indicators for Articles 6 and 8 are used for annual performance evaluation. The Company	None

Assessement Item	Implementation Status			Non-Implementation and Its Reason(s)
	Yes	No	Biref Explanation	
(4) Does the Company regularly evaluate its external auditors' independence?	✓		performed the annual performance appraisal at the end of 2019 and reported the 2019 director self-assessment to the Nomination Committee and the Board of Directors on March 3, 2020. 4. The accounting department of the Company evaluates the independence of the CPAs on its own, and the result proposal is reviewed and approved by the Audit Committee and the Board of Directors on October 30, 2019. Appraisal by the accounting department of the Company, Certified Public Accountants, Ming-Chuan Hsu and Kuo-Hua Wang, all of which are in line with the Company's independent evaluation criteria (Note 2), can be used as the Company's CPAs, accounting firm and issue a statement (Note 3).	None
4. Has the Company established a full- (or part-) time corporate governance unit or assigned personnel to take charge of corporate governance affairs (including but not limited to provide information required for business execution for directors and supervisors, handle matters related to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, record minutes of board meetings and shareholders meetings)?	✓		The Chairman's Office of the Company is responsible for corporate governance-related matters and the legal manager is the head of corporate governance. In order to strengthen the functions of the Board of Directors, the main duties of these staff members and the organization are to provide the directors with the information required to carry out the business and the latest regulatory developments related to the company's operations to assist the directors in legal compliance. The main duties are as follows: 1. Notifying board members of the Company's business scope and the latest developments in corporate governance-related regulations. 2. Conducting a course (taught by at-home tutors) of at least 6 credits for the board members; evaluating the purchase of appropriate liability insurance for directors and important staff members. 3. Formulating the agenda of a Board Meeting, which shall be informed to the Directors seven days prior to the meeting; informing issues that require avoidance of interests and completing the minutes of the board meeting within 20 days after the meeting. 4. Conducting performance evaluations of the Board of Directors and individual directors annually. 5. Establishing diversified channels for the communication with investors. 6. Handling the pre-registration of the date of the shareholders' meeting in accordance with the law, making a notice of the meeting within the statutory time limit, discussing the proceedings, and recording the proceedings, and applying for change registration in the revised charter or director re-election.	None

<table>
<tr><th rowspan="2">Assessement Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-Implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Biref Explanation</th></tr>
<tr><td>5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?</td><td>✓</td><td></td><td>The Company has a spokesperson and an agent spokesperson, and has an investor section and shareholder column on the Company's website, providing a contact channel for stakeholders, including shareholders, bankers and other creditors, employees, customers, and suppliers so that both the business and the stakeholders of the Company may maintain smooth communications.</td><td>None</td></tr>
<tr><td>6. Has the Company appointed a professional registrar for its Shareholders' Meetings?</td><td>✓</td><td></td><td>The Company has appointed Fubon Securities Co., Ltd. to handle the affairs of the shareholders' meetings and hired full-time staff for the relevant tasks.</td><td>None</td></tr>
<tr><td>7. Information Disclosure
(1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?

(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)?
(3) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third-quarter financial reports and the monthly operating situation within the prescribed deadline?</td><td>
✓

✓

</td><td>

✓</td><td>1. Through the Company's website, there is an investor's special section, where monthly financial information such as camping and collection is disclosed and a link to MOPS is provided for the public to obtain major information; and the Company's relevant regulations and the Company's relevant regulations and the self-assessment reports are put on the corporate governance section, and investors can use MOPS to obtain financial, business and corporate governance information.
2. The Company has a spokesperson and spokesperson, and has a special person in the investor relations management department responsible for the collection and disclosure of company information. At present, all the corporate briefing sessions have been uploaded to the Company's website. Other relevant information that should be disclosed is revealed on MOPS.
3. The Company fails to announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third-quarter financial reports and the monthly operating situation within the prescribed deadline.</td><td>
None

None

No significant difference</td></tr>
<tr><td>8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the</td><td>✓</td><td></td><td>1. Employees' Rights and Interests: The Company has established a staff welfare committee in accordance with the law, implemented a pension system, and handled various employee training courses, attaching importance to labor harmony.
2. Employee care: The Company provides employee bonus, year-end bonus and other welfare measures, and protects the legitimate rights and interests of employees according to the labor law and other relevant regulations.
3. Investor Relations: The Company has legally required to provide honest and open</td><td>None</td></tr>
</table>

Assessement Item	Implementation Status			Non-Implementation and Its Reason(s)
	Yes	No	Biref Explanation	
implementation of customer relations policies, and purchasing insurance for directors)?			information on the MOPS and to include the mail address for investor relations and the spokesperson's contact information to protect the interests of investors and maintain a benign and harmonious relationship between the Company and its shareholders. 4. Supplier Relationship: The Company has a supplier management section in the internal control written system "Purchasing and Payment Cycle" to ensure that suppliers' delivery, quality and price are in line with the Company's needs, so that they have good communications and collaborative partnership. 5. Rights of interested parties: The Company has a spokesperson and acting spokesperson, and the stakeholders have a smooth communication channel with the bank and other creditors, employees, customers, suppliers and stakeholders. Any legal issue will be handled by the legal department of the Company to safeguard the interests of interested parties. 6. The Directors and the Supervisors are involved in the refresher course in accordance with the requirements of the “Listing Examples of the Directors and Supervisors of the Listed Companies”. The refresher courses in 2019 are as follows:	

<table>
<tr><th>Director</th><th>Date</th><th>Organizer</th><th>Course Name</th><th>Course Hours</th></tr>
<tr><td>Yung-Hsiang Lin</td><td rowspan="7">2019/7/26</td><td rowspan="7">Corporate Operation Association of the Republic of China (Taiwan)</td><td>Discussion on the legal issues of listing, mergers and acquisitions and going-private transactions: taking biotechnology companies as an example</td><td>3</td></tr>
<tr><td>Tomiya Takamatsu</td><td rowspan="6">Introduction to the "New Corporate Governance Blueprint" and M&A-related corporate governance practices</td><td rowspan="6">3</td></tr>
<tr><td>Lung-Yi Liao</td></tr>
<tr><td>Jui-Hua Tsai</td></tr>
<tr><td>Sung-Yuan Liao</td></tr>
<tr><td>Sung-Yuan Liao</td></tr>
<tr><td>Chen-Yi Kao</td></tr>
</table>

<table>
<tr><th rowspan="2">Assessement Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-Implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Biref Explanation</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Director</th><th>Date</th><th>Organizer</th><th>Course Name</th><th>Course Hours</th></tr>
<tr><td rowspan="3">Yung-Hsiang Lin</td><td>2019/7/24</td><td>Securities and Futures Institute (Taiwan)</td><td>Briefing Session on Legal Compliance in Insider Equity Transactions</td><td>3</td></tr>
<tr><td>2019/9/12</td><td>Accounting Research and Development Foundation, Taiwan</td><td>Analysis of the latest fiscal and taxation policies and practices for Taiwanese investors returning to Taiwan</td><td>3</td></tr>
<tr><td>2019/9/20</td><td>Taiwan Corporate Governance Association</td><td>Viewing the impact of economic substantive law and global anti-tax avoidance on corporate governance from the perspective of directors and supervisors</td><td>3</td></tr>
</table>
7. Implementation of risk management policies and risk measurement standards: The Company has established various internal regulations in accordance with the law and followed them to control risks.
8. Implementation of customer policy: The Company sets up the business department, provides services and consultations for customers' products, and maintains a smooth communication channel with customers and has a customer complaint handling procedure to protect customer rights.
9. The Company purchased liability insurance for directors and supervisors: The Company has purchased liability insurance for directors.
</td><td></td></tr>
<tr><td colspan="5">9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange:
(1) The Company reviews the results of recent corporate governance evaluations and the Company governance evaluations released in the most recent year. It examines the indicators that are still in line with the scoring standards, arranges improvement schedules, and continuously improves most of the non-compliance projects.
(2) The Company will prepare a corporate social responsibility report in accordance with GRI4 this year.
(3) The Company will strengthen the Company's promotion of integrity management and internal work rules, strengthen the promotion of unethical behavior and its rectification system, and disclose relevant rules and regulations on the Company's website.</td></tr>
</table>

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

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

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

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

Name	Nominating Committee
Chairman, Yung-Hsiang Lin	V
Independent Director, Lung-Yi Liao	V(Chair)
Independent Director, Shou-Lu Chang	V
Independent Director, Chen-Yi Kao	V
Independent Director, Sung-Yuan Liao	V

Note 2: TCI Co., Ltd. 2019 annual assessment report on the independence of CPAs

The CPA Firm in 2019: PricewaterhouseCoopers Taiwan

The CPAs in 2018: Ming-Chuan Hsu and Kuo-Hua Wang

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

Evaluation results: all meet standards for independence.

Note 3: Auditor’s Independence Declaration

Auditor’s Independence Declaration

To: TCI Co., Ltd.

Issuance No.: PwC19003948

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

Explanation:

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

PwC Taiwan

Ming-Chuan Hsu

Accountants

Kuo-Hua Wang

April 24, 2019

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

A. Information of Remureneration Committee Members:

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

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

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

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

B. Compensation (Remuneration) Committee Meeting Status

a. There are 4 members in TCI's Compensation Committee.

b. The current term of office is from May 19, 2017 to May 18, 2020. There were 5 regular meetings convened in 2019 (A).
The members' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (B/A)	Notes
Chair	Lung-Yi Liao	5	0	100%	
Member	Shou-Lu Chang	5	0	100%	
Member	Sung-Yuan Liao	5	0	100%	
Member	Chen-Yi Kao	5	0	100%	

Annotations:

1. The Operration of Remureration Committee

Meeting Date	Meeting No.	Proposal	Resolution	TCI's Response to Resolution
2019/2/20	2019 1st Meeting	1. 2019 remuneration distribution to employees and Directors of the Company	Approved without objection	Approved by the Board of the Director
2019/4/24	20192nd Meeting	1. The Company's plan to publish supplementary information on the 2019 first issuance of restricted stock units to employees	Approved without objection	Approved by the Board of the Director
2019/05/15	2019 3rd Meeting	1. The Company's plan to publish the amendments to the supplementary information on the 2019 first issuance of restricted stock units to employees	Approved without objection	Approved by the Board of the Director
2019/10/30	2019 4th Meeting	1. The proposal to set up a corporate governance supervisor of the Company 2. The formulation of 2020 Remuneration Committee Work Plan	Approved without objection	Approved by the Board of the Director
2019/12/18	2019 1st Meeting	1. 2019 remuneration distribution to employees and Directors of the Company	Approved without objection	Approved by the Board of the Director

2. If the Board of Directors does not accept or amend the suggestions of the Remureration Committee, please state the Borad meeting date, term, the motions, content of the resolutions of the Board, and the Company's handling the opinions proposed by the Remuneration Committee：None.

3. For resolutions reached by the Remuneration Committee regarding which Independent Directors have voiced opposing or qualified opinions on the record or in writing, the Remuneration Committee meeting date, period, content of the resolution, opinions of all members, and the handling of the opinions of the members：None.

(5) Corporate Social Responsibility

Evalution Item	Implementation Status (Note 1)			Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TAPEX Listed Companies”and the root causes
	Yes	No	Brief Explanation (Note 2)	
1. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? (Note 3)	✓		The Company conducts risk assessments on environmental, social and corporate governance issues related to the Company's operations based on the principle of materiality. The Company has also formulated the "Corporate Social Responsibility Code of Practice" for compliance.	None
2. Has the Company set up a full-time (part-time) unit in charge of CSR promotion which the Board of Directors authorizes the senior management to handle and is responsible for reporting the progress to the Board of Directors?	✓		The Administration Service Center is in charge of promoting the corporate social responsibilities of the Company, regularly organising charity fundraising events and participating in social welfare activities.	None
3. Environmental sustainability				
(1) Has the Company established an appropriate environmental management system according to its industrial characteristics?	✓		(1) The Company has been proactively promoting and implementing resource reuse, following government policies to continue to implement waste sorting, recycling and reduction processing, promoting the use of waste paper for photocopying, and encouraging the employees to save water and electricity and reduce the use of disposable tableware to achieve energy saving, carbon reduction and energy saving.	None
(2) Is the company committed to improving the utilization of various resources and using recycled materials with low environmental impact?	✓		(2) The Company is a health food and beauty products manufacturing industry. The wastewater generated in the production process is properly treated and discharged, and is committed to maintaining environmental cleanliness and sanitation, promoting resource reuse and continuing energy conservation.	None
(3) Does the Company pay attention to the impact of climate change on the operation activities, implement greenhouse gas inventories, and form an energy-saving, carbon-reduction, and greenhouse emission reduction strategy?	✓		(3) The company actively promotes the reuse of resources and continues to carry out energy conservation and carbon reduction actions.	None
(4) Has the Company measured its greenhouse gas emissions, water consumption, and the total weight of waste in the past two years, and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction, or other waste management?	✓		(4) The Company is committed to promoting energy conservation and carbon reduction through daily education and promotion of employees and the promotion of environmentally friendly and energy-saving waste recycling.	None

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

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

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

(6) Ethical Corporate Management

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

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

<table>
<tr><th rowspan="2">Evalutation Item</th><th colspan="3">Implementation Status (Note)</th><th rowspan="2">Deviating from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TAPEX Listed Companies” and the root causes</th></tr>
<tr><th>Yes</th><th>No</th><th>Brief Explaination</th></tr>
<tr><td colspan="5">5. If the Company has stipulated the “Ethical Corporate Management Best Practice Principles” in accordance with the “Ethical Management Best-Practice Principles for TWSE/TAPEX Listed Companies,” please state its deviation from the “Ethical Management Best-Practice Principles for TWSE/TAPEX Listed Companies” in operation：The Company's cooperation with various manufacturers and organizations is handled in accordance with the principle of integrity management, and the "Ethical Corporate Management Best Practice Principles" have been established and approved by the Board of Directors. The Board of Directors and management promised to actively implement ethical management in internal management and external business activities.</td></tr>
<tr><td colspan="5">6. Other important information helpful understanding the ethical management operation:
(For example, reviews and revision of the Company's Ethical Corporate Management Best Practice Principles)
The Company is based on honesty, and strives to be responsible for investors, users and society. In addition, the Company and related manufacturers and partners are mostly in long-term cooperative relationships and set up relevant full-time personnel to participate in business operations, maintain long-term stable cooperative relations and clearly define the code of conduct and rewards and punishments in the employee handbook, and strive to operate in good faith.</td></tr>
</table>

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

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

(9) The implementation of the internal control system

A. Statement of Internal Control System

TCI Co., LTD.

Statement of Internal Control System

Date: March 3, 2020

Based on the findings of a self-assessment, TCI Co., Ltd. (TCI) states the following with regard to its internal control system during the year 2019

1. TCI's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system, and TCI has established such a system. Our internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), reliability, timeliness, transparenc of reporting, and compliance with applicable laws and regulations.
2. An internal control system has its inherent limitations. No matter how perfectly designed, and effective internal control system can only provide reasonable assurance of accomplishment the objectives mentioned above. Furthermore, the effectiveness of an internal control system may be subject to changes due to circumstances beyond control. Nevertheless, the internal control system of TCI contains self-monitoring mechanisms, and TCI takes actions in response to any identified deficiencies.
3. TCI evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the Regulations"). The criteria adopted by the Regulations identify five components of managerial internal control：(1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities, Each component further contains several items. Please refer to the Regulations for details.
4. TCI has evaluated the design and operating effecetiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, TCI believes that, on December 31, 2019, it has maintained, in all material respects, and effective internal control system (that included the supervision and management of subsidiaries), to provide reasonable assurance over operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of TCI's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors in their meeting on March 3, 2020, with all of the seven attending directors all affirming the content of this Statement.

TCI Co., Ltd.

Chairman: Yung-Hsiang Lin (Signature)

General Manager: Yung-Hsiang Lin (Signature)

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

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

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

A. Important Resolutions Reached in the Shareholders' Meeting

April 20, 2020

Meeting Date	Important Resolution	Implemention
May 16, 2019	1. Adoption of the 2018 business report and financial statements	They had been approved by the Shareholders' Meeting.
	2. Adoption of the proposal for distribution of 2018 profits	1. The proposed dividend to shareholders is NT$ 8.5 per share. The total amount of distribution of 2018 profits is NT$872,164,253. The stock dividend payment is NT$1.5 per share, and the total amount of stock dividend is NT$153,911,340. The cash dividend payment is NT$7 per share, and the total amount of cash dividend is NT$718,252,913. 2. The convertible corporate bonds (84362) were converted into common stocks and the employee stock option certificates were converted into new shares, which affected the number of stocks outstanding. Therefore, the dividend payout ratio was adjusted. 3. The amount of stock dividend and cash dividend per share is as follows: Stock dividend per share: NT$1.4899447 Cash dividend per share: NT$6.95307521 4. The ex-dividend date is August 11, 2019. The cash dividend had been distributed on August 30, 2019, and the stock dividend had been distributed on September 10, 2019.
	3. Proposal for 2019 first issuance of restricted stock units	2019 newly issued restricted stock units Listing Date: November 22, 2019
	4. Proposal for the 2018 new share issue through capitalization of retained earnings transferred to capital	2019 stock dividends Listing Date: September 10, 2019
	5. Amendments to the Operational Procedures for Acquisition or Disposal of Assets	The amendments had been disclosed on the Martket Observation Post System (MOPS) on May 23, 2019 and have been implemented.
	6. Amendments to Procedures for Shareholders'Meetings	They had been approved by the Shareholders' Meeting.

B. Important Resolutions of the Board of Directors

April 20, 2020

Meeting Date	Important Resolution	Implemention
January 9, 2019	1. Preparation of the 2019 Opeartional Plans and the 2019 Annual Budget 2. Proposal for 2019 first issuance of restricted stock units 3. Amendments to the Operational Procedures for Acquisition or Disposal of Assets 4. Project for the purchase of an office in Neihu.	The same as the resolution(s)
February 20, 2019	1. Formulation of the 2018 Statement of Internal Control System 2. Preparation of the 2018 Directors' Compensation and Employee Profit Sharing Plans 3. Review of the 2018 Business Report and the 2018 Financial Statements 4. Discussion of the Proposal for Distribution of 2018 Profits 5. Discussion of the Company's 2018 new share issuance through capitalization of retained earnings transferred to capital 6. Determination of the time period and place to accept the shareholders' proposals for the Company's 2019 general shareholders'meeting.	The same as the resolution(s)
April 24, 2019	1. Proposal for publishing supplementary information for 2019 first issuance of restricted stock units.	The same as the resolution(s)
May 16, 2019	1. Proposal for increasing share capital in the U.S. subsidiary 2. Proposal for prescribing the ex-dividend date and the relevant tasks of the distribution of 2018 profits 3. Proposal for publishing supplementary information for 2019 first issuance of restricted stock units.	The same as the resolution(s)
July 26, 2019	1. Formulation of the Operation Directions for Compliance with the Establishment of Board of Directors and the Board's Exercise of Powers 2. Proposal for amendments to the Regulations for 2019 First Issuance of Restricted Stock Units 3. Determining the date of "2019 first issuance of restricted stock units"and relevant matters.	The same as the resolution(s)
Octobor 30, 2019	1. The establishment of the Company's 2020 annual audit plan 2. The assessment of the suitability and the independence of the CPAs commissioned by the Company 3. The 2020 annual remuneration plan for CPAs 4. Proposal for the establishment of a subsidiary in the Netherlands 5. Discussion of matters related to the purchase of a new office in Neihu 6. The 2020 annual remuneration plan for CPAs 7. The appointment of the corporate governance supervisor 8. Formulation of the 2020 Work Plan for Remuneration Committee	The same as the resolution(s)
December 18, 2019	1. Preparation of the 2020 Opeartional Plans and the 2020 Annual Budget 2. Discussion of the establishment of a subsidiary in Indonesia. 3. Discussion of the establishment of a subsidiary in Singapore 4. Discussion of the use of 2018 retained earnings in substantial investment 5. Discussion of matters related to the payment of 2019 year-end bonus for managers 6. Discussion of the adjustments of the remuneration of the Company's Directors and Independent Directors from 2020	The same as the resolution(s)
February 6, 2020	1. Discussion of the repurchase of the Company's shares 2. The Board's declaration that the maintenance of the Company's capital would not be affected by the repurchase	The same as the resolution(s)
March 3, 2020	1. Formulation of the 2019 Statement of Internal Control System. 2. Review of the 2019 Business Report and the 2019 Financial Statements 3. Preparation of the 2017 Directors' Compensation and Employee Profit Sharing Plans. 4. Proposal for making endorsements/guarantees for the Company's subsidiaries 5. Proposal for the subsidiaries of the Company making loans	The same as the resolution(s)

Meeting Date	Important Resolution	Implemention
	6. Amendments to the Articles of Incorporation 7. Amendments to the Operational Procedures for Acquisition or Disposal of Assets 8. Election of the Board of Directors 9. Nomination of candidates of Directors and Independent Directors 10. Removal of Non-Competition Restrictions for New Directors and Their Representatives 11. Determination of the time period and place to accept the shareholders' proposals for the Company's 2020 general shareholders'meeting.	
March 23, 2020	1. Proposal for the second repurchase of the Company's shares and formulation of Regulations for Transfer of Repurchased Shares to Employees 2. The Board's declaration that the maintenance of the Company's capital would not be affected by the repurchase 3. Proposal for changing the CPAs.	The same as the resolution(s)

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

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

December 31, 2019

TITLE	NAME	DATE OF EMPLOYMENT	DATE OF DISMISSAL	REASON FOR RESIGNATION OR DISMISSAL
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

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

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

(1) Audit Fee

CPA Firm	Name of CPAs		Audit Period	Remark
ricewaterhouseCoopers Taiwan	Ming-Chuan Hsu	Kuo-Hua Wang	Year of 2019	None

Unit: NT$ 1,000

Fee Range \ Fee Item		Audit Fee	Non-audit Fee	Total
1	Less than NT$2,000,000		✓	
2	NT$2,000,0000 - 3,999,999	✓		✓
3	NT$4,000,0000 - 5,999,999			
4	NT$6,000,0000 - 7,999,999			
5	NT$8,000,0000 - 9,999,999			
6	Over NT$10,000,000			

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

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

Unit: NT$ 1,000

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fees					Audit Period	Remark
			System Design	Company Registration	Human Resources	Others	Subtotal		
Pricewaterhouse Coopers Taiwan	Ming-Chuan Hsu	2,815	0	204	130	1,986	2,320	Year of 2019	Consultation Service and Transfer Pricing Services Fees
	Kuo-Hua Wang								

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

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

5. Replacement of CPAs: None

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

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

(1) Changes in equity transfer and pledge

Unit: share

Title	Name	2019		As of April 20, 2020	
		Increase (decrease) of shareholding	Increase (decrease) of shares pledged	Increase (decrease) of shareholding	Increase (decrease) of shares pledged
Chairman	Yung-Chiang Investment Co., Ltd.	462,238	1,000,000	0	1,000,000
	Authorized Representative: Yung-Hsiang Lin	662,226	0	157,000	0
Chairman	Yang Guang Investment Co., Ltd.	356,139	0	0	0
	Authorized Representative: Pi-shu Li	1,153	0	171	0
Chairman	DyDo Group Holdings, INC.	(256,012)	0	0	0
	Authorized representative: Tomiya Takamatsu	0	0	0	0
Independent Director	Lung-Yi Liao	0	0	0	0
Independent Director	Shou-Lu Chang	0	0	0	0
Independent Director	Sung-Yuan Liao	0	0	0	0
Independent Director	Chen-Yi Kao	0	0	0	0
Deputy General Manager	Yung-Hao Lin	101,851	0	30,000	0
Assitant Vice President, Finance Department	Cheng-Hsien Chiang	12,525	0	10,000	0
Manager, Accounting & Tax Department	Jui-Yi Wu	11,856	0	1,000	0
Assitant Vice President, Precise iManfacturing Center	Chih-cheng Tsai	3,208	0	5,000	0
Supervisor, Internal Audit Department	Wei-Chiang Chi	0	0	0	0
Supervisor, Cost Management Center	Chen-Chen Fu	5,000	0	4,000	0
Assitant Vice President, Strategic Intelligence Center	Yueh Min	12,392	0	5,000	0
Supervisor, Talent Development Center	Li-chun Tsai	0	0	0	0
Supervisor, Administration Service Center	Tung-wei Li	4,000	0	3,000	0
Supervisor, Research & Design Center	Ching-ting Chen	0	0	8,000	0
Corporate Governance Supervisor	Chen-chia Huang	0	0	1,000	0

Note: Li-chun Tsai was appointed on January 13, 2020
Ching-ting Chen was appointed on February 5, 2020

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

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

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

As of April 20, 2020; Unit: share / %

Name	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top 10 Sharehodlers, or Spouses or Relatives Within the Two Degree of Kinship		Remark
	Shares	%	Shares	%	Shares	%	Name	Relations	
Taipei Fubon Commercial Bank Trust Dade Group Holdings Co., Ltd. Investment Account Authorized representative: Tomiya Takamatsu	9,593,216 0	8.02% 0	0 0	0 0	0 0	0 0	Taipei Fubon Commercial Bank Trust Dade Group Holdings Co., Ltd. Investment Account	Parent company and its subsidiary	
Yang Guang Investment Co., Ltd. Authorized Representative: Wu-Nan Yang	4,659,053 315,173	3.89% 0.27%	0 0	0 0	0 0	0 0	— —	— —	
Taipei Fubon Commercial Bank Trust Datong Pharmaceutical Industry Co., Ltd. Investment Account	4,294,409	3.59%	0	0	0	0	Taipei Fubon Commercial Bank Trust Dade Group Holdings Co., Ltd. Investment Account	Parent company and its subsidiary	
Yung-Chiang Investment Co., Ltd. Authorized Representative: Yung-Hsiang Lin	3,564,623 1,622,405	2.98% 1.36%	0 38,000	0 0.03%	0 0	0 0	Yung-Hsiang Lin	Authorized Representative	
Jui-hua Tsai	2,564,538	2.14%	0	0	0	0	—	—	
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,777,788	1.49%	0	0	0	0	—	—	
HSBC Trusted Three Standard Global Effort Fund Investment Account	1,719,836	1.44%	0	0	0	0	—	—	
Yung-Hsiang Lin	1,622,405	1.36%	38,000	0.03%	0	0	—	—	
Bank of Taiwan Entrusted with TT International Funds Company Investment Account	1,558,000	1.30%	0	0	0	0	—	—	
JPMorgan Chase administers Vanguard German Emerging Market Equity Fund Account	1,482,549	1.24%	0	0	0	0	—	—	

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

As of December 31, 2019
Unit: share / %

Affiliated Enterprises	Investment by TCI		Investment by TCI's Directors, Supervisors, Mangers and its directly or indirectly controlled business		Total Investment	
	Shares	%	Shares	%	Shares	%
TCI Firstek Corp.	183,106,697	100%	0	0	183,106,697	100%
TCI Gene Inc.	6,425,000	61.19%	2,832,500	26.98%	9,257,500	88.17%
Shanghai BioCosme Co., Ltd.	500,000	100%	–	–	500,000	100%
BioFunction, Shanghai BioTech Group	Note 1	100%	–	–	Note 1	100%
TCI HK LIMITED	Note 1	100%	–	–	Note 1	100%
TCI BIOTECH LLC	Note 1	100%	–	–	Note 1	100%
TCI JAPAN CO., LTD	Note 2	100%	–	–	Note 2	100%
PT TCI BIOTEK INDO	Note 3	100%	–	–	Note 3	100%
TCI Biotech Netherlands B.V.	Note 3	100%	–	–	Note 3	100%

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

Note 2: The capital amount is 55 million JPY.

Note 3: The capital had not been invested as of December 31, 2019.

IV. Business Capitalization

1. Capital and Shares

(1) Capitalization

A. Equity formation

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

Year/ Month	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Shares offset by property other than cash	Others
2006/08	10	12,000	120,000	5,380	53,800	Capitalization by Cash 10,000	—	Note1
2007/08	10	12,000	120,000	6,380	63,800	Capitalization by Cash 10,000	—	Note 2
2008/04	12	12,000	120,000	7,380	73,800	Capitalization by Cash 10,000	—	Note 3
2009/10	10	12,000	120,000	8,618	86,180	Capitalization by Cash 5,000 Capitalization by Earnings 7,380	—	Note 4
2010/08	10	50,000	500,000	15,000	150,000	Capitalization by Cash 10,001 Capitalization by Earnings 53,819	—	Note 5
2011/07	10	50,000	500,000	20,042	200,420	Capitalization by Earnings 45,000 Capitalization by Employee Bonus 5,420	—	Note 6
2011/12	68	50,000	500,000	22,642	226,420	Capitalization by Cash 26,000	—	Note 7
2012/09	10 18	50,000	500,000	29,799	297,996	Capitalization by Earnings 67,926 Conversion by Stock Option 3,650	—	Note 8
2013/04	18	50,000	500,000	29,812	298,126	Conversion by Stock Option 130	—	Note 9
2013/08	10 18	50,000	500,000	39,423	394,234	Capitalization by Earnings 89,438 Conversion by Stock Option 6,670	—	Note 10
2013/09	93	50,000	500,000	43,880	438,804	Capitalization by Cash 44,570	—	Note 11
2014/08	10 18	100,000	1,000,000	51,024	510,244	Capitalization by Earnings 65,821 Conversion by Stock Option 5,620	—	Note 12
2014/10	72.3	100,000	1,000,000	55,624	556,244	Capitalization by Private Placement 46,000	—	Note 13
2015/08	10 18	100,000	1,000,000	61,202	612,028	Capitalization by Earnings 55,624 Conversion by Stock Option 160	—	Note 14
2016/02	36 88	100,000	1,000,000	65,276	652,764	Conversion by Stock Option 1,680 Conversion by Convertible Bond 39,056	—	Note 15
2016/05	88	100,000	1,000,000	66,607	666,071	Conversion by Convertible Bond 13,306	—	Note 16
2016/08	10 78.8	100,000	1,000,000	75,370	753,698	Capitalization by Earnings 78,332 Conversion by Convertible Bond 3,295 Capitalization by Restricted Employee Share 6,000	—	Note 17
2016/10	10 78.8	100,000	1,000,000	75,447	754,470	Conversion by Stock Option 10 Conversion by Convertible Bond 761	—	Note 18
2017/01	10 78.8	100,000	1,000,000	75,621	756,213	Conversion by Stock Option 1,730 Conversion by Convertible Bond 13	—	Note 19
2017/04	10 78.8	100,000	1,000,000	75,653	756,525	Conversion by Stock Option 300 Conversion by Convertible Bond 13	—	Note 20
2017/06	10	100,000	1,000,000	75,669	756,685	Conversion by Stock Option 160	—	Note 21
2017/07	10	100,000	1,000,000	87,012	870,117	Capitalization by Earnings 113,432	—	Note 22
2018/04	10	100,000	1,000,000	87,070	870,701	Conversion by Convertible Bond 584	—	Note 23
2018/07	10	200,000	2,000,000	100,122	1,001,219	Capitalization by Earnings 130,518	—	Note 24
2018/11	10	200,000	2,000,000	102,232	1,022,321	Conversion by Stock Option 5,260 Conversion by Convertible Bond 15,842	—	Note 25
2019/01	10	200,000	2,000,000	102,608	1,026,076	Conversion by Stock Option 420 Conversion by Convertible Bond 3,335	—	Note 26

Year/ Month	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Shares offset by property other than cash	Others
2019/04	10	200,000	2,000,000	102,742	1,027,422	Conversion by Convertible Bond 1,347	—	Note 27
2019/08	10	200,000	2,000,000	102,792	1,027,920	Conversion by Convertible Bond 497	—	Note 28
2019/08	10	200,000	2,000,000	118,183	1,181,831	Capitalization by Earnings 153,911	—	Note 29
2019/10	10	200,000	2,000,000	119,598	1,195,981	Conversion by Stock Option 5,210 Restricted Employee Share 8,940	—	Note 30
2020/02	10	200,000	2,000,000	119,617	1,196,171	Conversion by Stock Option 260	—	Note 31

Note 1: The approval letter, the Letter No. Taipei-City-Government-City-Construction-Bureau-09582279100 received on August 22, 2006.
Note 2: The approval letter, the Letter No. Taipei-City-Government-City-Construction-Bureau-09688717100 received on August 30, 2007.
Note 3: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-09783966800 received on April 25, 2008.
Note 4: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-09887803330 received on October 29, 2009.
Note 5: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-09985775230 received on August 16, 2010.
Note 6: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-10085576600 received on July 15, 2011.
Note 7: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-10090009810 received on December 9, 2011.
Note 8: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-10187001810 received on September 6, 2012.
Note 9: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-10282650710 received on April 10, 2013.
Note 10: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-10286556500 received on August 1, 2013.
Note 11: The approval letter, the Letter No. Taipei-City-Government-Office-of-Commerce-10288072500 received on September 25, 2013.
Note 12: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10301165180 received on August 15, 2014.
Note 13: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10301231620 received on November 5, 2014.
Note 14: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10401161750 received on August 6, 2015.
Note 15: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10501017880 received on February 2, 2016.
Note 16: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10501100670 received on May 17, 2016.
Note 17: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10501192080 received on August 5, 2016.
Note 18: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10501246530 received on October 18, 2016.
Note 19: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10601007940 received on January 19, 2017.
Note 20: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10601049900 received on April 18, 2017.
Note 21: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10601098480 received on July 17, 2017.
Note 22: The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10601102940 received on July 28, 2017.
Note 23：The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10701037100 received on April 11, 2018.
Note 24：The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10701105450 received on August 23, 2018.
Note 25：The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10701131780 received on November 5, 2018.
November：The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10801005770 received on January 28, 2019.
Note 27：The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10801044030 received on April 22, 2019.
Note 28：The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10801097590 received on August 2, 2019.
Note 29：The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10801114380 received on August 20, 2019.
Note 30：The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10801143300 received on October 28, 2019.
Note 31：The approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10901008680 received on Feburary 21, 2020.

B. Share Type

As of April 20, 2020
Unit: share

Share Type	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Common Stock	117,187,169	82,812,831	200,000,000	The outstanding shares have deducted 2,423,000 treasury shares and 7,000 new restricted employee shares. Among them, 10,000,000 shares will be reserved for the issuance of employee stock option certificates to exercise the stock options. The Company's stocks are OTC stocks.

B. Information related to shelf registration：None.

(2) Composition of Shareholders

As of 04/20/2020
Unit: person / share

Structure of Shareholder / QTY	Government Agencies	Financial Institutions	Other Instituions	Individuals	Institutions & Individuals	Total
Number of Shareholders	0	0	205	19,516	188	19,909
Total Shares Owned	0	0	20,816,981	56,653,715	42,146,473	119,617,169
Shareholding Ratio	0%	0%	17.40%	47.36%	35.24%	100.00%

Note: The total number of shares includes the repurchase of 2,423,000 shares of treasury stock and the repurchase of 7,000 restricted stock units as of April 20, 2020.

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

As of 04/20/2020
Unit: person / share / %

Shareholder Ownership (Shares)			Number of Shareholders	Ownership	Ownership (%)
1	to	999	6,675	882,147	0.74%
1,000	to	5,000	11,221	20,257,153	16.94%
5,001	to	10,000	1,086	8,069,876	6.75%
10,001	to	15,000	319	3,972,452	3.32%
15,001	to	20,000	167	2,995,181	2.50%
20,001	to	30,000	150	3,762,006	3.15%
30,001	to	50,000	87	3,334,419	2.79%
50,001	to	100,000	79	5,688,263	4.76%
100,001	to	200,000	46	6,834,137	5.71%
200,001	to	400,000	43	11,989,145	10.02%
400,001	to	600,000	13	6,222,412	5.20%
600,001	to	800,000	8	5,799,023	4.85%
800,001	to	1,000,000	2	1,917,484	1.60%
Over 1,000,001			13	37,893,471	31.68%
Total			19,909	119,617,169	100.00%

Note: The total number of shares includes the repurchased 2,423,000 shares of treasury stock and the repurchased 7,000 restricted stock units as of April 20, 2020.

(4) Major Shareholders (Our 10 Top Shareholders or the Shareholder Whose Ownership is Higher than 5%)

As of 04/20/2020
Unit: share / %

Name \ Shares	Current Shareholding	%
Taipei Fubon Commercial Bank Trust Dade Group Holdings Co., Ltd. Investment Account	9,593,216	8.02%
Yang Guang Investment Co., Ltd.	4,659,053	3.89%
Taipei Fubon Commercial Bank Trust Datong Pharmaceutical Industry Co., Ltd. Investment Account	4,294,409	3.59%
Yung-Chiang Investment Co., Ltd.	3,564,623	2.98%
Jui-hua Tsai	2,564,538	2.14%
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1,777,788	1.49%
HSBC Trusted Three Standard Global Effort Fund Investment Account	1,719,836	1.44%
Yung-Hsiang Lin	1,622,405	1.36%
Bank of Taiwan Entrusted with TT International Funds Company Investment Account	1,558,000	1.30%
JPMorgan Chase administers Vanguard German Emerging Market Equity Fund Account	1,482,549	1.24%

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

Unit：NT$ / 1,000 shares

Item \ Year			2018	2019	2020 (As of April 20)
Market Price per Share	High		614	540	293.5
	Low		263	282	148
	Average		450.68	395.18	222.11
Net Worth per Share	Before Distribution		55.78	59.63	Note 2
	After Distribution		47.28	Note 1	—
Earnings per Share	Weighted Average Shares		100,885	118,441	Note 2
	Earnings per Shares	Before Adjustment	17.79	17.02	Note 2
		After Adjustment	15.48	Note 1	—
Dividend per Share	Cash Dividend		6.95	Note 1	—
	Stock Dividend	Stock Dividend from Retained Earnings	1.49	Note 1	—
		Stock Dividend from Paid-In Capital	—	—	—
	Accumulative Unpaid Dividend		—	—	—
Return on Investment Analysis	Price Earnings Ratio (Note 4)		25.33	23.22	—
	Price to Dividend Ratio (Note5)		64.85	Note 1	—
	Cash Dividend Yield Ratio (Note6)		1.54%	Note 1	—

Note 1: The appropriation amount of earnings per share for 2019 has yet to be approved at the Annual Shareholders' Meeting.

Note 2: The financial report for the first quarter of 2020 was reviewed by accountants.

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

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

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

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

(6) Company dividend policy and implementation

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

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

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

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

B. The proposed dividend distribution of this shareholders meeting

The 2019 annual dividends of the Company were approved by the Board of Directors on April 30, 2020. The resolution is to allocate NT$1,040,622,060 from the 2019 annual surplus, and the cash dividend per share is NT$8.88. The amount of the dividend shall be approved by the 2020 Annual Shareholder’s Meeting.

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

Unit: NT$

Item \ Year			2020(anticipated)
Paid-in Capital (NT$)			1,196,171,690 (Note 1)
Cash Dividend and Stock Dividend	Cash Dividend per Share		8.88 (Note 2)
	New Share Issue through Capitalization of Retained Earnings Transferred to Capital per Share (share)		0
	New Share Issue through Capitalization of Capital Surplus Transferred to Capital per Share (share)		0
Business Performance	Net Revenue		Not applicable (Note 3)
	Net Change % (compared with 2019 net revenue)		
	Net Income		
	Net Change % (compared with 2019 net income)		
	Earnings per Share		
	Net Change % (compared with 2019 EPS)		
	Average Return on Investment (%)		
Pro Forma EPS and P/E Ratio	In the Event that TCI Cancels New Share Issue through Capitalization of Retained Earnings Transferred to Capital per Share, and Distirbutes the Amount into Cash Dividend	Pro Forma EPS	Not applicable (Note 3)
		Pro Forma Average ROI (%)	
	In the Event that TCI Cancels New Share Issue through Capitalization of Capital Surplus Transferred to Capital	Pro Forma EPS	
		Pro Forma Average ROI (%)	
	In the Event that TCI Cancels New Share Issue through Capitalization of Capital Surplus Transferred to Capital, and Distributes the Amount into Cash Dividend	Pro Forma EPS	
		Pro Forma Average ROI (%)	

Note 1: The amount of paid-in capital is in accordance with the approval letter, the Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10901008680 received on February 21, 2020.

Note 2: The amount will be determined by the final shareholders' resolution in 2020 annual shareholders' meeting.

Note 3: The financial forecast report of 2020 has not been published yet, and therefore the relevant items are not applicable.

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

(8) Employee Compensation and Remuneration to Directors and Supervisors

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

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

a. When the Company still has accumulated losses (including adjustment of undistributed surplus amount), the amount of compensation should be retained in advance.

b. Five to fifteen percent of the employees are paid and no more than three percent are directors' compensation.

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

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

a. The employee's remuneration and director's remuneration estimates are based on the pre-tax benefits as of the end of the period (net of the benefits prior to the distribution of employee compensation and directors' compensation), and the employee's remuneration and director's remuneration as set out in the articles of association. Within the scope of the number, and based on the previous issue of the number of estimates, and recognized as current operating costs and operating expenses.

b. The basis for calculating the number of shares in which the employees of the Company are allotted shares is based on the closing price of the day before the resolution of the shareholders' meeting and considering the impact of the ex-dividend ex-dividend. The employee compensation proposed by the shareholders meeting was issued in cash on March 3, 2020.

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

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

Unit: NT$

Item	Amount
Compensation for Employees in 2019	175,018,716
Compensation for Directors in 2019	4,200,000

The amount of employee compensation and directors' compensation to be proposed is not different from the fees recognized in 2019.

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

The remuneration of the proposed staff is paid in cash by the resolution of the Board of Directors on March 3, 2020. It is not applicable to the employee's stock remuneration.

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

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

A. TCI’s Repurchase of Shares (Executed)

April 20, 2020

Serial Number of Repurchase	1
Purpose of repurchase	Maintenance of the Company’s creditability and the shareholders’ rights
Repurchase period	2020/02/07~2020/04/06
Repurchase price range	NT$148.75~406.59
Type and number of repurchased shares	2,000,000 common shares
Total price of repurchased shares	NT$ 438,143,659
Number of purchased shares as a percentage of number of shares to be repurchased (%)	100%
Number of shares cancelled or transferred	0
Accumulated number of shares held by TCI	2,000,000 shares
Accumulated number of shares held by TCI as a percentage of total number of issued shares	1.67%

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

April 20, 2020

Serial Number of Repurchase	2
Purpose of repurchase	For the transfer to employees
Type of repurchased shares	Common shares
Upper limit of total price of repurchased shares	NT$ 5,855,369,000
Repurchase Period	2020/03/24~2020/05/22
Number of shares to be repurchased	3,000,000 shares
Repurchase price range	NT$108.5~319.5
Type and number of repurchased shares	423,000 common shares
Total price of repurchased shares	NT$ 76,367,137
Number of purchased shares as a percentage of number of shares to be repurchased (%)	14.10%

2. Corporate Bond

<table>
<tr><td colspan="2">Corporate Bond Category</td><td>1st Unsecured Conversion of Coporate Bond</td></tr>
<tr><td colspan="2">Issuance Date</td><td>October 16, 2015</td></tr>
<tr><td colspan="2">Par Value</td><td>NT$100,000</td></tr>
<tr><td colspan="2">Place of Issuance and Trade</td><td>R.O.C. (Taiwan)</td></tr>
<tr><td colspan="2">Issuance Price</td><td>At 100.5% of Par Value</td></tr>
<tr><td colspan="2">Total Issuance Amount</td><td>NT$500,000,000</td></tr>
<tr><td colspan="2">Coupon Rate</td><td>0%</td></tr>
<tr><td colspan="2">Tenor</td><td>3 Years
Maturity Date: October 16, 2018</td></tr>
<tr><td colspan="2">Guarantor</td><td>None</td></tr>
<tr><td colspan="2">Trustee</td><td>Taipei Fubon Bank</td></tr>
<tr><td colspan="2">Underwriter</td><td>Fubon Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Certifying Lawyer</td><td>None</td></tr>
<tr><td colspan="2">Certifying Accountant</td><td>None</td></tr>
<tr><td colspan="2">Method of Repayment</td><td>During the three-year period of the issuance, in addition to conversion or redemption according to the conversion method, it will be repaid in cash at the time of expiration.</td></tr>
<tr><td colspan="2">Outstanding Balance</td><td>NT$0</td></tr>
<tr><td colspan="2">Terms and Conditions for Early Redemption or Repayment</td><td>The conversion debt shall be sold back to the bondholders on the date of the second year of the issue (October 16, 2018). The Company shall issue the bond to the bond on the first 40 days after the second year of the conversion of the conversion debt. The holder's "Notice of Exercise of the Right to Sell" (as set out in the register of creditors on the fifth business day prior to the date of dispatch of the "Notice of Exercise of Resale", which is subsequently obtained for trading or other reasons Investors of the conversion debts shall be notified by way of announcement. They shall also inform the counter trading center to announce the exercise of the right to sell the convertible bonds. The bondholders may notify the Company in writing within 40 days after the announcement. The agency (effective at the time of delivery, the postal person uses the postmark as the basis) requires the interest denomination of the bond denomination (the maturity of the bond is 101.0025% (the annual real rate of return of 0.5%)] There is a redemption of this conversion debt. The Company accepts the sale request and shall redeem the conversion debt in cash within five business days after the sale date. The above date will be postponed to the next business day if the Taipei Securities Centralized Trading Market ceases to operate.</td></tr>
<tr><td colspan="2">Restrictive Clauses</td><td>None</td></tr>
<tr><td colspan="2">Rating Agency, Date of Rating, and Rating Awarded</td><td>Not Applicable</td></tr>
<tr><td rowspan="2">Other Rights</td><td>Amount of Ordinary Shares, Global Depository Receipts, or other Securities Converted (Exchanged or Subscribed) up to the publication date of this annual report</td><td>Other Rights</td></tr>
<tr><td>Issuance and Conversion (Exchange or Subscription) Terms</td><td></td></tr>
<tr><td colspan="2">Possible Dilution of Equity and Impact on Equity of Existing Shareholders due to Subscription or Issuance Terms of Issuance, Conversion and Exchange of Corporate Bones</td><td>None</td></tr>
<tr><td colspan="2">Custodian of Exchanged Assets</td><td>Not Applicable</td></tr>
</table>

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

Corporate Bond Category	2nd Unsecured Conversion of Coporate Bond
Issuance Date	June 8, 2018
Par Value	NT$1,200,000,000
Place of Transaction and Issuance	R.O.C. (Taiwan)
Issuance Price	At 100% of Par Value
Total Issuance Amount	NT$1,200,000,000
Coupon Rate	0%
Tenor	3 Years Maturity Date: June. 16, 2021
Guarantor	None
Trustee	Taipei Fubon Bank
Underwriter	Fubon Securities Co., Ltd.
Certifying Lawyer	None
Certifying Accountant	None
Method of Repayment	During the three-year period of the issuance, in addition to conversion or redemption according to the conversion method, it will be repaid in cash at the time of expiration.
Outstanding Balance	NT$ 435,400,000
Terms and Conditions for early redemption or repayment	The conversion of corporate bonds shall be sold back to the base date of the conversion of the corporate bonds by the holder of the conversion corporate bonds in advance of the two-year issue (June 8, 2020). The Company shall send a "Notice of Exercise of the Right of Resale" to the Bondholders by registered mail before the sale date back to the 40th day before the base date (April 29, 2021) (with a notice of exercise of the right to sell back) The date of the fifth business day bond holder's register on the date of the mailing date shall prevail, and the bondholders who subsequently obtained the conversion of corporate bonds due to trading or other reasons shall be notified by way of announcement) The counter purchase center announces the exercise of the conversion right of the convertible corporate bond holder. The holder of the conversion corporate bond can notify the Company's stock agency in writing within 40 days before the sale date (on delivery). The effectiveness of the mailer is based on postmarks. The Company is required to add interest compensation to the denomination of the bond [101.0025% of the bond denomination (0.5% of the real rate of return) for two years] to redeem the bond held by it. return. The Company accepts the sale request and shall redeem the bond in cash within five business days after the sale date. The above date will be postponed to the next business day if the Taipei Securities Centralized Trading Market ceases to operate.
Restrictive Clauses	None

Rating Agency, Date of Rating, and Rating Awarded		Not Applicable
Other Rights	Amount of Ordinary Shares, Global Depository Receipts, or other Securities Converted (Exchanged or Subscribed) up to the Publication Date of this Annual Report	The amount of converted common shares is NT$21,021,790,000 up to the publication date of this Annual Report.
	Issuance and Conversion (Exchange or Subscription) Terms	Please refer to the conversion method in Attachment 1 of the Company's Convertible Corporate Bonds Prospectus.
Possible Dilution of Equity and Impact on Equity of Existing Shareholders due to Subscription or Issuance Terms of Issuance, Conversion and Exchange of Corporate Bones		None
Custodian of Exchanged Assets		Not Applicable

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

3. **Preferred Stock Issued :** None

4. **Global Depositary Receipts Issued:** None

5. Employees Stock Options Issued

(1) The Company's outstanding employee stock options

April 20, 2020

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

	after 3 years, the cumulative maximum share option ratio will be increased to 60%; and after 6 years, the cumulative maximum share option ratio will be increased to 100%.	after 3 years, the cumulative maximum share option ratio will be increased to 60%; and after 6 years, the cumulative maximum share option ratio will be increased to 100%.
Number of Shares Subscribed	568,000	-
Amount of Shares Subscribed	43,715,700	-
Number of Shares yet to be Subscribed	1,432,000	2,000,000
Subscription Price Per Share for the Unsubscribed Shares	NT$57.9	NT$333.4
Ratio of the Unsubscribed Shares to the Total Number of Shares Issued (%)	1.4%	1.95%
Impact on Shareholders' Equity	The Company's total number of shares as of February 29, 2015 was 66,376,454 shares. After adding 6,637,645 shares to be converted into 2017 surplus, the total number of outstanding shares was 73,014,099 shares. The total number of shares that are expected to be issued by the employee's stock option certificate is 2,000,000 shares, accounting for approximately 2.74% of the total number of outstanding shares, the estimated annual earnings per share diluted to NT$0.29, NT$0.20, NT$0.08, and NT$0.03 per share.	The Company's total number of shares as of February 21, 2018 was 87,011,707 shares. After adding 13,051,756 shares to be converted into 2017 surplus, the total number of outstanding shares was 100,063,463 shares. The total number of shares that are expected to be issued by the employee's stock option certificate is 2,000,000 shares, accounting for approximately 2.3% of the total number of outstanding shares, the estimated annual earnings per share diluted to NT$0.71, NT$0.22, and NT$0.04 per share.

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

A. 2016 1st Employee Stock Option

	Title	Name	Number of Shares acquired	Ratio of Subscribed Shares to Total Number of Shares Issued	Subscribed				Unsubscribed			
					Number of Shares Subscribed	Price of Shares Subscribed	Amount of Shares Subscribed	Ratio of Subscribed Shares to Total Number of Shares Issued	Number of Shares Subscribed	Price of Shares Subscribed	Amount of Shares Subscribed	Ratio of Subscribed Shares to Total Number of Shares Issued
Managers	General Manager	Yung-Hsiang Lin	1,115,000	0.93%	654,000	77.8/ 67.7	23,865,600	0.55%	461,000	57.9	26,691,900	0.39%
	Deputy General Manager	Yung-Hao Lin										
	Assitant Vice President, Finance Department	Cheng-Hsien Chiang										
	Manager, Accounting & Tax Department	Jui-Yi Wu										
	Foreman, iManufacturing Center	Chih-Cheng Tsai										
	Supervisor, Internal Audit Department	Supervisor, Internal Audit Department										
	Assistant Vice President, Strategic Intelligence Center	Yueh Min										
	Supervisor, Research & Design Center	Ching-ting Chen										

	Title	Name	Number of Shares acquired	Ratio of Subscribed Shares to Total Number of Shares Issued	Subscribed				Unsubscribed			
					Number of Shares Subscribed	Price of Shares Subscribed	Amount of Shares Subscribed	Ratio of Subscribed Shares to Total Number of Shares Issued	Number of Shares Subscribed	Price of Shares Subscribed	Amount of Shares Subscribed	Ratio of Subscribed Shares to Total Number of Shares Issued
Employees	Global Business Center	Shan-shan Liu	315,000	0.26%	188,000	77.8/ 67.7	13,656,800	0.16%	127,000	57.9	7,353,300	0.11%
	Cost Management Center	Hsiu-Wei Lin										
	President Office	Shu-Ching, Wang										
	Global Business Center	Jui-Ting, Ling										
	Global Business Center	Yi-Ching Chen										
	Precise iManufacturing Center	Hung-Lin Chen										
	President Office	Chien-yu Lu										
	Finance Department	Chien-yu Lu										
	Global Business Center	Chen-i Kao										
	Global Business Center	Yen-jen Chen										
	Administration Service Center	Chieh-li Ni										
	President Office	Jui-han Chang										

B. 2018 1st Employee Stock Option

	Title	Name	Number of Shares acquired	Ratio of Subscribed Shares to Total Number of Shares Issued	Subscribed				Unsubscribed			
					Number of Shares Subscribed	Price of Shares Subscribed	Amount of Shares Subscribed	Ratio of Subscribed Shares to Total Number of Shares Issued	Number of Shares Subscribed	Price of Shares Subscribed	Amount of Shares Subscribed	Ratio of Subscribed Shares to Total Number of Shares Issued
Managers	General Manager	Yung-Hsiang Lin	945,000	0.79%	-	-	-	-	945,000	333.4	315,063,000	0.79%
	Deputy General Manager	Yung-Hao Lin										
	Assitant Vice President, Finance Department	Cheng-Hsien Chiang										
	Manager, Accounting & Tax Department	Jui-Yi Wu										
	Precise iManufacturing Center	Chih-Cheng Tsai										
	Supervisor, Internal Audit Department	Wei-Chiang Chi										
	Assistant Vice President, Strategic Intelligence Center	Yueh Min										
	Manager, Cost Management Center	Chen-Chen Fu										
	Administration Service Center	Tung-Wei Li										
	Manager, Research & Design Center	Ching-Ting, Chen										
Employees	Global Business Center	Shan-Shan Liu	315,000	0.26%	-	-	-	-	315,000	333.4	105,021,000	0.26%
	Cost Management Center	Hsiu-Wei Lin										
	Precise Imanufacturing Center	Chun-Ying Ho										

	Title	Name	Number of Shares acquired	Ratio of Subscribed Shares to Total Number of Shares Issued	Subscribed				Unsubscribed			
					Number of Shares Subscribed	Price of Shares Subscribed	Amount of Shares Subscribed	Ratio of Subscribed Shares to Total Number of Shares Issued	Number of Shares Subscribed	Price of Shares Subscribed	Amount of Shares Subscribed	Ratio of Subscribed Shares to Total Number of Shares Issued
Employees	Administration Service Center	Chi-Li Ni										
	Global Business Center	Jui-Ting, Ling										
	Finance Department	Yi-Chun, Liu										
	President Office	Shu-Ching, Wang										
	Precise iManufacturing Center	Tien-chien Lin										
	President Office	Jui-han Chang										
	Global Business Center	Hsin-liangChen										
	Precise iManufacturing Center	Chin-hung Lin										
	President Office	Wen-chao Wang										
	Global Business Center	Yen-jen Chen										
	President Office	Chien-Yu, Lu										
	Precise iManufacturing Center	Hung-Lin Chen										

6. Restricted Employee Shares

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

April, 20, 2020

<table>
<tr><td>Category</td><td>2016 1st Restricted Employee Shares</td></tr>
<tr><td>Approval Date</td><td>2016/6/20</td></tr>
<tr><td>Issuance Date</td><td>2017/4/30</td></tr>
<tr><td>Number of Restricted Employee Shares Issued</td><td>600,000 Shares</td></tr>
<tr><td>Issued Price Per Share</td><td>NT$10</td></tr>
<tr><td>Ratio of Shares exercisable to Outstanding Common Shares (%)</td><td>0.82% (the ratio between the issued shares and the total common shares in 2017)</td></tr>
<tr><td>Vesting Conditions for Exercise of Restricted Employee Shares</td><td>The employees who meet the performance goals or the conditions specified below are eligible for the vesting of Restricted Stock Awards.
1. The growth rate of revenue growth is 30% (years),
2. The net interest rate after tax will remain above 10%.
3. Earnings per share (EPS) of 3.0 yuan (inclusive) or more.
<table>
<tr><th>Vesting Period</th><th>Vested Shares with Installations</th></tr>
<tr><td>1 year after the issuance date (stll in-service)</td><td>200 shares</td></tr>
<tr><td>2 years after the issuance date (stll in-service)</td><td>200 shares</td></tr>
<tr><td>3 years after the issuance date (stll in-service)</td><td>200 shares</td></tr>
</table></td></tr>
<tr><td>Restrictions to the Rights of New Restricted Employee Shares</td><td>1. The employee shall not sell, pledge, transfer, donate, set, or otherwise distribute the new shares of the employee's rights until the employee has obtained the new shares.
2. Before the employees fail to meet the vested conditions, the attendance, proposal, speech, voting rights and other relevant shareholders' equity matters of the shareholders' meeting shall be exercised by the trust institution.
3. Restricted employee rights new shares acquired in accordance with these Measures, except for the above-mentioned restrictions, have been allocated unrestricted restrictions on employee rights. New shares do not participate in allotment, interest and cash increase subscriptions.</td></tr>
<tr><td>Custody of Restricted Employee Shares</td><td>Deliveried to trust custody</td></tr>
<tr><td>Procedures for Non-Compliance of the Conditions</td><td>The Company will cancel the employee rights of all employees who have not received the pre-established conditions to receive (buy) shares.</td></tr>
<tr><td>Withdrawal of New Restricted Employee Shares</td><td>0 share</td></tr>
<tr><td>Unrestricted New Restricted Employee Shares</td><td>600,000shares</td></tr>
<tr><td>Restricted New Restricted Employee Shares</td><td>0 share</td></tr>
<tr><td>Ratio of Shares Unrestricted to Outstanding Common Shares (%)</td><td>0 %</td></tr>
<tr><td>Impact on Shareholders' Equity</td><td>The Company's total number of shares of 66,376,454 shares as of February 29, 2016, plus the number of shares to be transferred to the 2015 surplus of 6,637,645 shares, totaled 73,014,099 shares outstanding. The current issuance limit the total number of shares subscribed for by employees. For 600,000 shares, the ratio of the number of outstanding shares is 0.82%. It is estimated that the annual compensation cost will be diluted to NT$0.09 in 2016, NT$0.09 in 2017 and NT$0.09 in 2018, respectively. It will not have a significant impact on shareholders' equity.</td></tr>
</table>

Category	2019 2nd Restricted Employee Shares
Approval Date	2019/6/26
Issuance Date	2019/11/25
Number of Restricted Employee Shares Issued	894,000 Shares
Issued Price Per Share	NT$10
Ratio of Shares exercisable to Outstanding Common Shares (%)	0.88% (the ratio between the issued shares and the total common shares in 2019)
Vesting Conditions for Exercise of Restricted Employee Shares	(1) The employee restricted shares will be vested in three years. In the first year, the performance will be reviewed in accordance with the financial statements of the previous year prior to the grant date (issuance date). In the second and third years, the performance will be reviewed in accordance with the previous year 's financial statements (before March 31). The standards are as follows: The company's pre-tax net profit margin is above 20% (including 20%). (Net profit before tax= Net profit before tax / operating income) (2) When the performance in the first year is reviewed according to the financial statements and meets the aforementioned (1) standard, employees can get a third of the number of shares they are allocated on the date of issue (issuance date); when the performance in the second year is reviewed according to the financial statements and meets the aforementioned (1) standard, employees can get a third of their allotted shares by March 31, 2020; in the third year, when the performance according to the financial statements reached the aforementioned standard (1), employees received a third of the number of shares allocated on March 31, 2021. (The number of shares allotted in the year is calculated proportionally to an integer number of shares, and the number of shares less than one is included in the number of shares allocated in the third year.)
Restrictions to the Rights of New Restricted Employee Shares	1. The employee shall not sell, pledge, transfer, donate, set, or otherwise distribute the new shares of the employee's rights until the employee has obtained the new shares. 2. Before the employees fail to meet the vested conditions, the attendance, proposal, speech, voting rights and other relevant shareholders' equity matters of the shareholders' meeting shall be exercised by the trust institution. 3. Restricted employee rights new shares acquired in accordance with these Measures, except for the above-mentioned restrictions, have been allocated unrestricted restrictions on employee rights. New shares do not participate in allotment, interest and cash increase subscriptions.
Custody of Restricted Employee Shares	Deliveried to trust custody
Procedures for Non-Copliance of the Conditions	The Company will cancel the employee rights of all employees who have not received the pre-established conditions to receive (buy) shares.
Withdrawal of New Restricted Employee Shares	14,000 shares
Unrestricted New Restricted Employee Shares	588,000 shares
Restricted New Restricted Employee Shares	292,000 shares
Ratio of Shares Unrestricted to Outstanding Common Shares (%)	0.24%
Impact on Shareholders' Equity	According the approval letter, Letter No. Ministry-of-Economic-Affairs-Commerce-Department-10701131780received on November 5, 2018, the Company has changed its registration. The Company's outstanding common shares are 102,232,072, and it is expected that the ratio of issued restricted employee shares to new shares will account for 0.88% of total issued shares. The estimated annual compensation cost for diluted earnings per share is 0.492 yuan, 0.492 yuan and 0.492 yuan, respectively, which still has a significant impact on shareholder rights.

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

As of April 20, 2020
Unit: share / NT$

	Title	Name	Number of Restricted Employee Shares Acquired	Ratio of Acquired to Outstanding Common Shares	Unrestricted Rights				Restricted Rights			
					Unrestricted Shares	Issued Price	Issued Amount	Ratio of Acquired to Outstanding Common Shares	Restricted Shares	Issued Price	Issued Amount	Ratio of Restricted to Outstanding Common Shares
Managers	General Manager	Yung-Hsiang Lin	1,233,000	1.03%	1,022,000	10	10,220,000	0.85%	211,000	10	2,110,000	0.18%
	Deputy General Manager	Yung-Hao Lin										
	Factory Chief Director,, Precise iManufacturing Center	Chih-Cheng Tsai										
	Assistant Vice President, Strategic Intelligence Center	Yueh Min										
	Supervisor, Cost Management Center	Chen-Chen Fu										
	Assitant Vice President, Finance Department	Cheng-Hsien Chiang										
	Administration Service Center	Tung-Wei Li										
	Manager, Research & Design Center	Ching-Ting, Chen										
	Manager, Accounting & Tax Department	Jui-Yi Wu										
Employees	Precise iManufacturing Center	Chun-ying He	69,000	0.06%	46,000	10	460,000	0.04%	23,000	10	230,000	0.02%
	Cost Management Center	Hsiu-Wei Lin										
	President Office	Shu-Ching, Wang										
	Global Business Center	Yen-jen Chen										
	Global Business Center	I-chih Hsu										
	Finance Department	I-chun Liu										
	Precise iManufacturing Center	Hung-lin Chen										
	President Office	Jui-han Chang										
	President Office	Chien-yu Lu										
	Global Business Center	Jui-Ting, Ling										

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

8. Funding plan execution situation

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

(1) Project Content

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

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

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

(2) Implementation

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

V. Operational Highlights

1. Business Activities

(1) Business Scope

A. The scope of business of the Company shall be as follows:

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

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

B. Sales Mix

Unit: NT$ 1,000

Year / Product Category	2018		2019	
	Annual Revenue	%	Annual Revenue	%
Dietary Supplements	7,420,348	91.63	8,692,721	90.87
Skin Care Products	609,105	7.52	751,271	7.85
Others	68,961	0.85	122,140	1.28
Total	8,098,414	100.00	9,566,132	100.00

C. Major Product Categories

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

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

Peptide Biomimicry

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

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

Spider Bio-cellulose Masks

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

Banana Flower Extract

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

TCI 275 (TRILLION PROBIO)

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

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

(2) Industry Overview

A. Status Quo and the Development Trend

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

1) Functional Foods

a. Global Market Is Showing Steady Growth

With the promotion and implementation of the concept of preventive medicine, people choose adjuvant and alternative therapies to prevent the occurrence of diseases. Among them, health care products and functional foods have the effects of providing nutritional supplements, improving health and delaying aging. The consumption and the use of health care products and functional foods have become a trend, especially in Europe and Americas. According to Grand View Research and Statista, the global market size of nutraceutical industry in 2019 was US$391.8 billion. It is expected to grow to US$562.8 billion in 2018-2023. The compound annual growth rate (CAGR) is 7.3%, and the CAGRs of functional beverages, functional foods and dietary supplements are 5.8%, 7.9% and 8.2%, respectively.

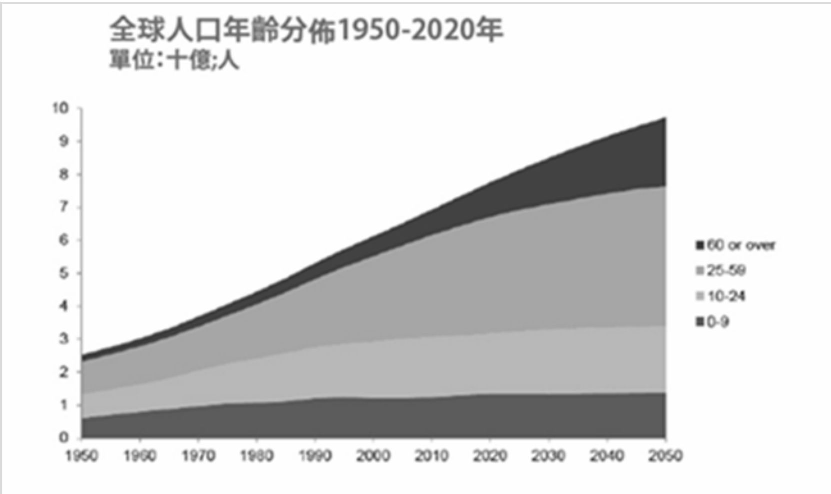
(US$ Billions)

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

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

b. Acceleration of Global Population Ageing

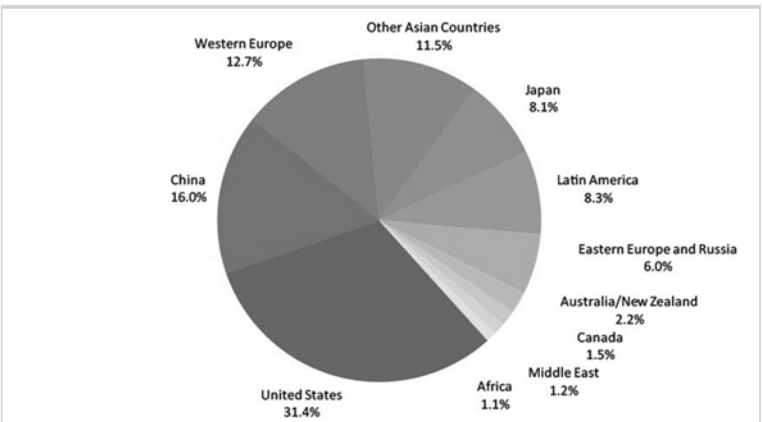
According to the latest UN report, the world population is estimated to reach 9.8 billion in 2050, of which more than 1.5 billion people will be over 65 years old, accounting for about 16% of the total population. Compared with the total population of 7.6 billion in 2017, the elderly population is 700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



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

c. Importance of Asia Is Increasing

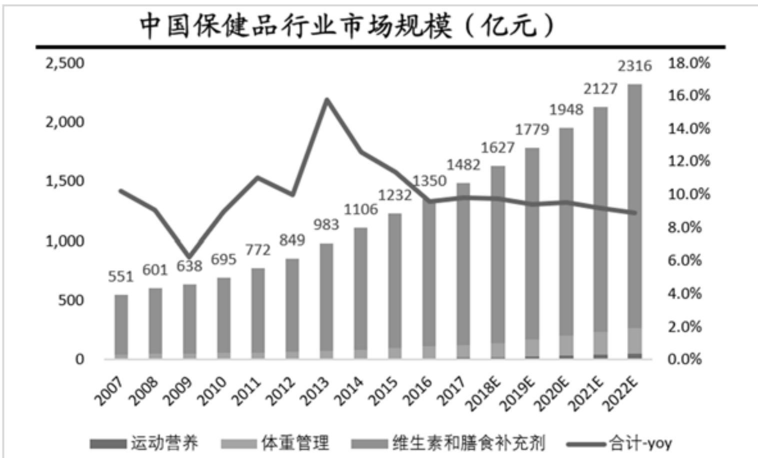
From the perspective of global health care products, the United States is still the world's largest health care market. According to data database established by the marketing research agency, Nutrition Business Journal, the US market share in the global market reached 31.4% in 2017. Asia has been developing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



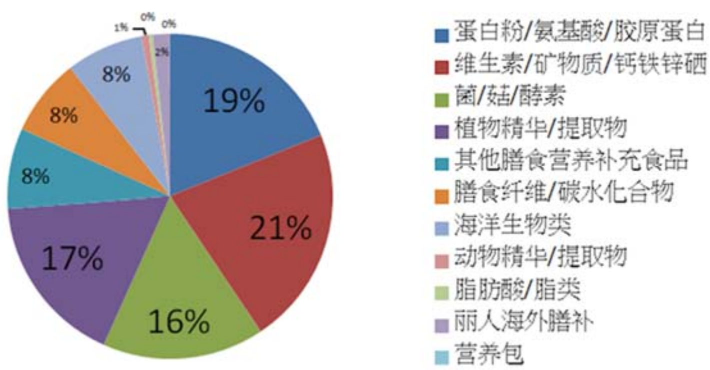
（Data Source: Nutrition Business Journal）

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

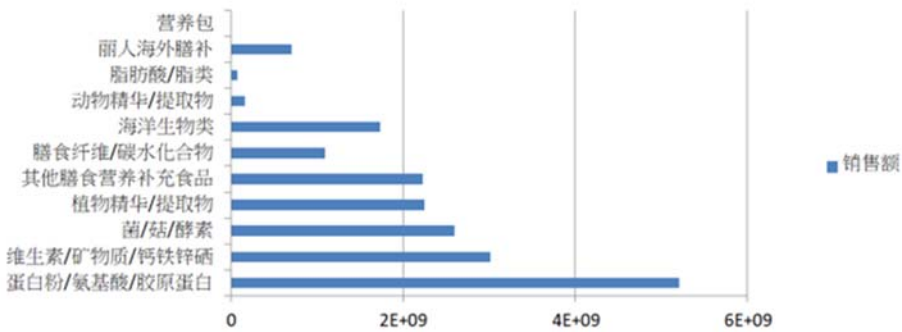
According to Euromonitor, the market size of China's healthcare products reached RMB 140 billion in 2019. In 2018, vitamins and dietary supplements accounted for the largest market share of 91.3% while the market shares of weight management and sports nutrition products were relatively small, 7.4% and 1.3%, respectively. However, the market size of sports nutrition products grew the fastest with a CAGR of 39.6% from 2015 to 2018; the market size of vitamins and dietary supplements and weight management products grew at the CAGRs of 10.3% and 11.9%, respectively. In 2019, sales on Tmall and Taobao have reached RMB 19.149 billion, an increase of 78.3% from the RMB 13.23 billion in the same period of the previous year. Vitamin, mineral, calcium, iron, zinc, and selenium products accounted for the top sales volume (21%) in the online beauty sales market, while the sales of protein powder, amino acid, and collagen products ranked top (RMB 509 million). In recent years, protein powder, amino acid, and collagen products have become increasingly popular among Chinese consumers, among which collagen products are most popular on online platforms. In recent years, the concept of focusing on health has become popular in China, and the per capita GDP growth of the Chinese has made the demand for preventive health products grow strongly.



Proportion of sales of various health products of Tmall and Taobao in 2019



Proportion of sales of various health products of Tmall and Taobao in 2019

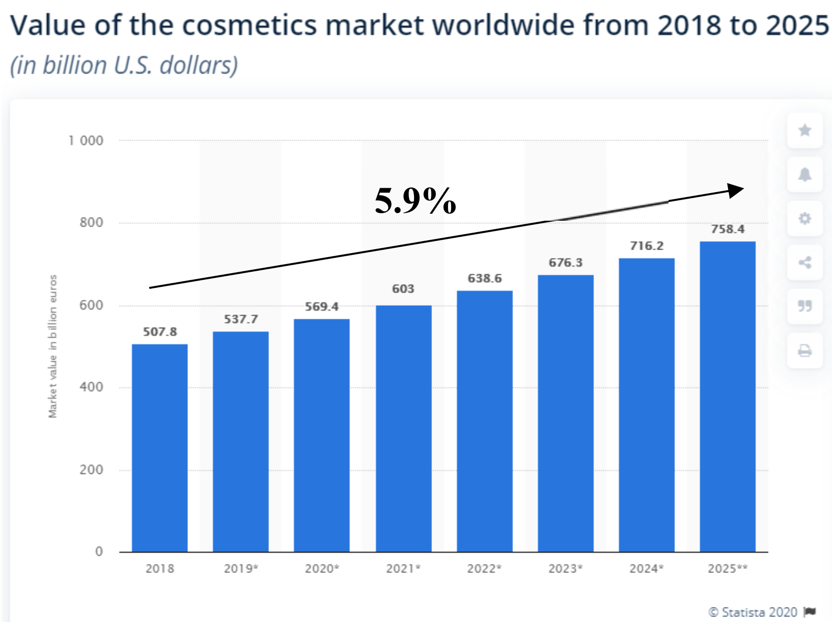


（*Data Source: Euromonitor, NORTHEAST SECURITIES*）

2) Beauty Care Market

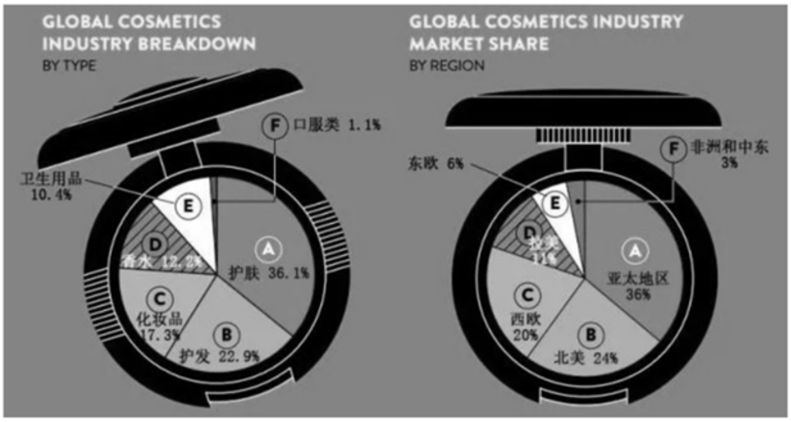
a. Speeded Up Growth of the Global Beauty Care Market

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



（*資料來源：Statista*）

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

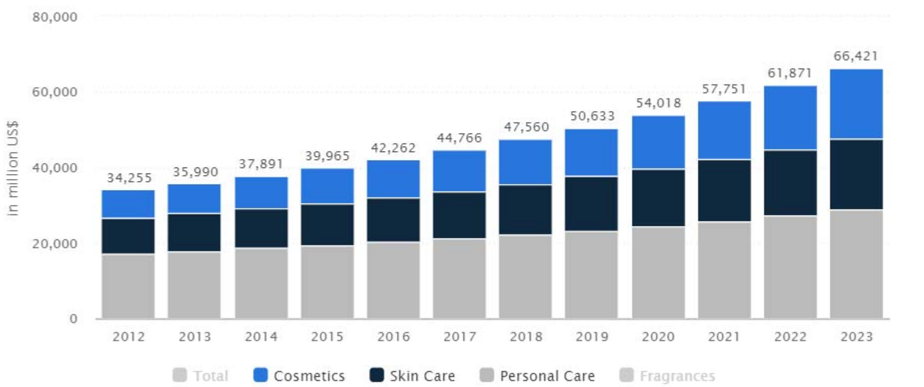


(Data Source: IBIS World)

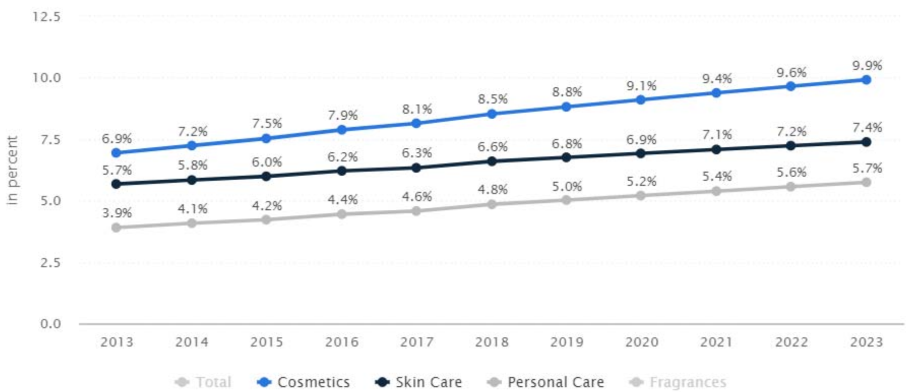
b. The Attention-catching Facial Mask Market in China

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

Revenue in the Beauty & Personal Care market in China



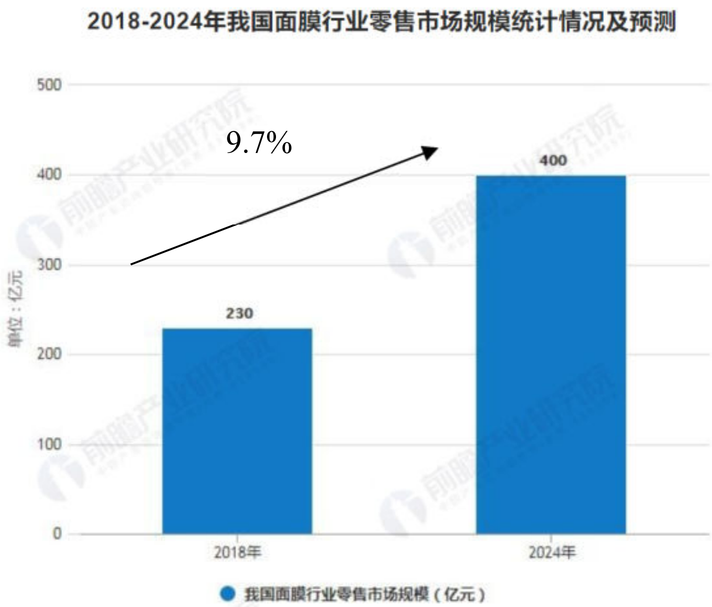
Revenue Growth in the Beauty & Personal Care market in China



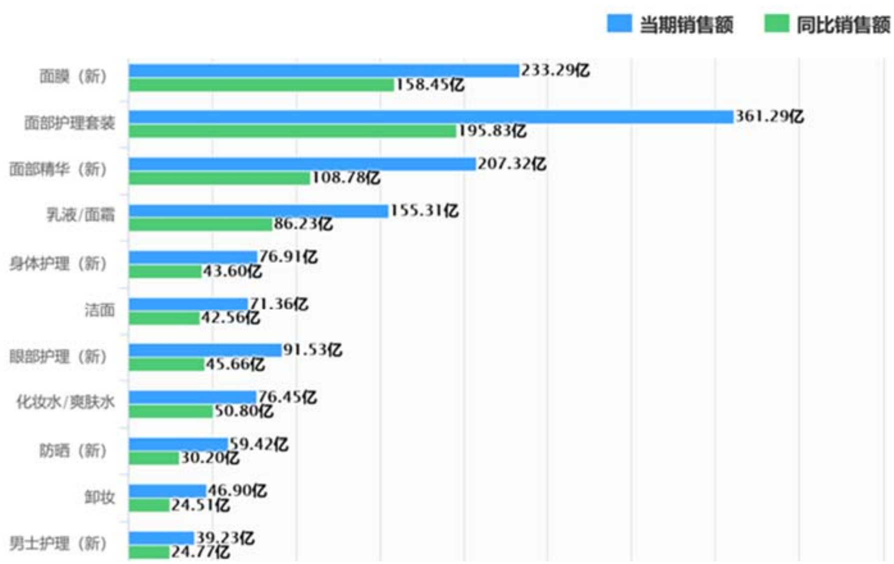
(Data Source: Statista)

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

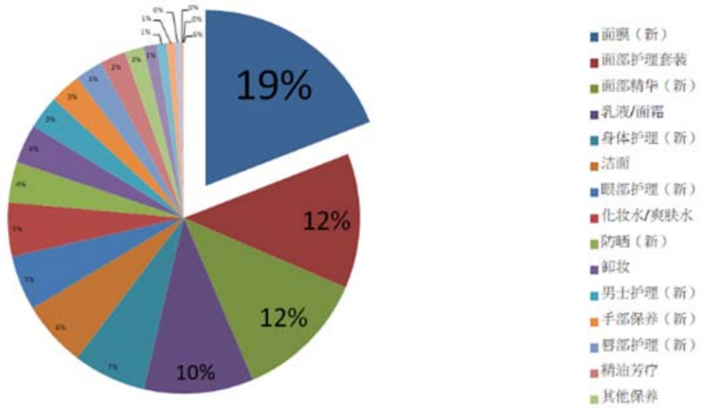
In 2019, sales on Tmall and Taobao have reached RMB 23.329 billion, a 47.2% increase from the RMB 15.845 billion in the same period of the previous year. The market share of facial masks accounted for the largest number (19.07%) in the online beauty product market, with the sales volume of 363 million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



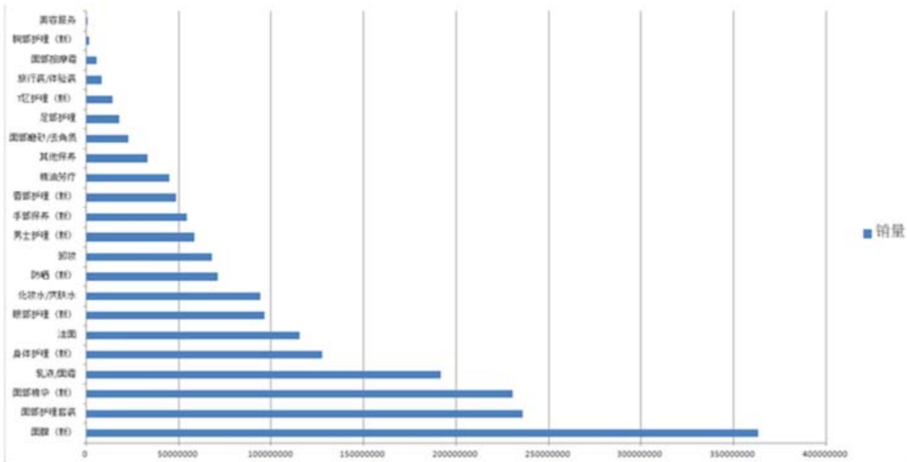
2019年天貓及淘寶美妝產品銷量額與同比銷售額



Beauty product sales volume and year-on-year sales on Tmall and Taobao in 2019



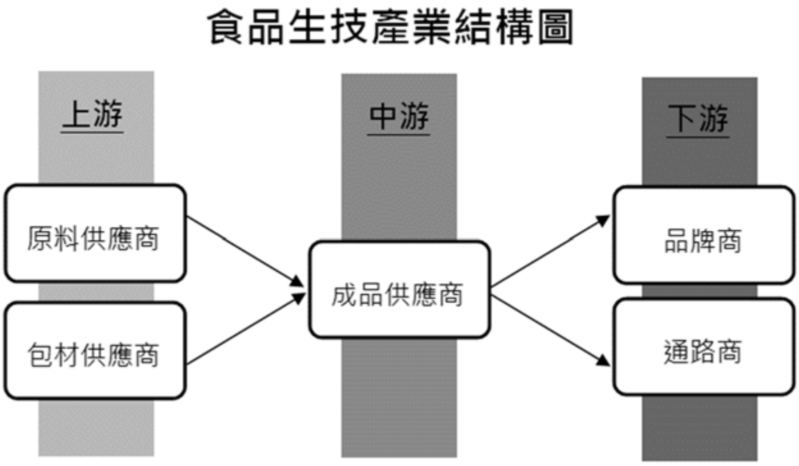
Beauty Product Sales on Tmall and Taobao in 2019



(Data Source: Qianzhan Industry Institute (前瞻產業研究院))

B. Correlations between Upstream, Midstream, and Downstream Companies

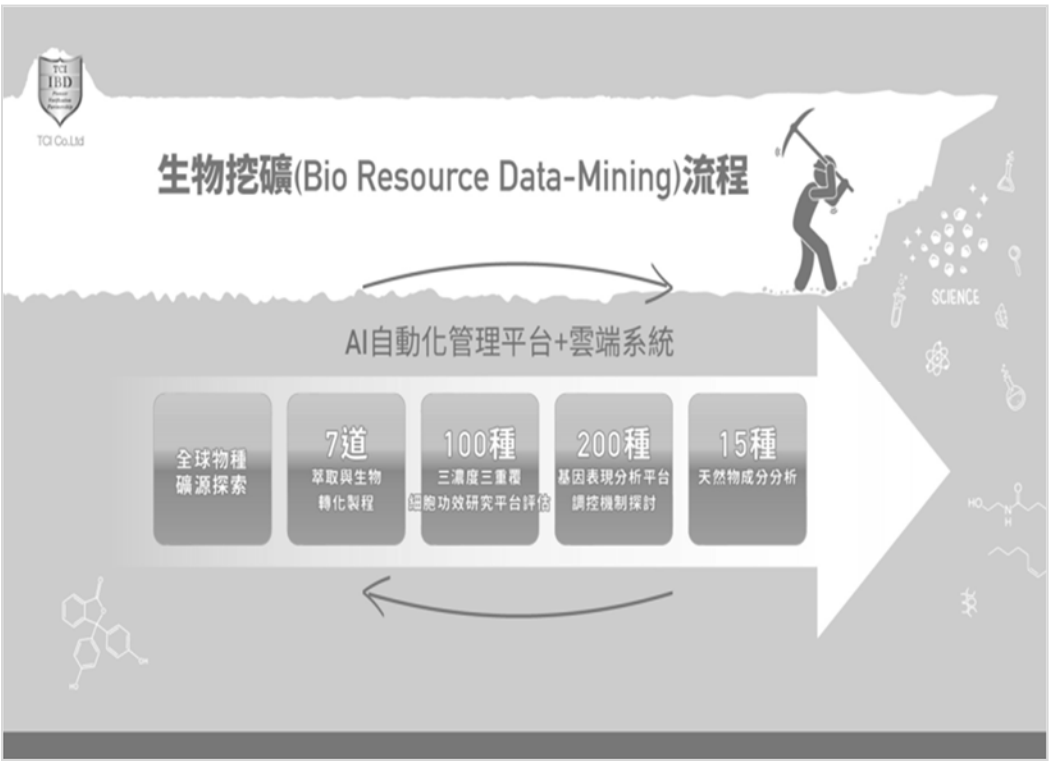
Across the entire industry chain, the Company focuses on the development of new products, and the R&D and the manufacturing of functional beverages, health foods and beauty care products. We are at the upstream and the midstream of the overall supply chain. Our major business model is to search for bio-materials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



C. Trends and Competition

a. Trends of Product Development

The focuses of product development of the Company include three major products/services: raw material development for dietary supplements and skin care products, innovative functional foods, and genetic testing platforms. The raw material development for dietary supplements and skin care products has been developed for many years and has achieved considerable success. So far more than 80% of the products use our self-developed IBD raw materials. Through the "Bio Resouce Data Mining" business model with the AI management platform, the cloud management system, the 7 exclusive manufacturing processes for extraction and biotransforamtion, the evaluation of 100 research platforms for cellular efficacy, the research on the regulatory mechanism for the expression of 200 genes, and the 15 analysis methodologies for natural compounds, the future research and development efficiency will be increased by more than 70 times. These technologies accelerate the exploitation of the value of global biological resources.



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

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

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

1) Raw Material Development for Dietary Supplements

Since 2011, the Company has been devoted to the development of autonomous special-purpose raw materials (referred to as IBD raw materials). We add raw materials to existing product formulas to improve its efficacy while ameliorating its safety, and we fully control the source of raw materials to ensure product quality. In addition to improving the competitiveness of the Company, it also increases the economic benefits of domestic agriculture. As of February 2019, the following health products have been successfully developed and marketed from IBD raw materials:

(1) Happy banana® (Banana Peels): helps sleep and relieves stress
(2) Sugarlock® (Peanut Membrane): inhibits the increase of blood sugar and helps lose weight and improves the symptoms of diabetes
(3) Wbeauty® (Wasabi Leaf Extract): inhibits the formation of melanin and helps whiten the skin
(4) CitriSlim® (Ponkan Unripe Fruit): improves metabolism and assists in weight loss
(5) Liverguard® (Indian Jujube Unripe Fruit): improves liver function and relieves hangover symptoms
(6) JellySkin® (Jellyfish Extract): replenishes glycoprotein and helps improve skin hydration
(7) Formosal Ruby™ (Djulis): inhibits the formation of glycated proteins and delays sking aging
(8) Cleaner J™ (Flammulia velutipes Extract): absorbs excess body fat and assists in weight loss
(9) Green Caviar® (Sea Grapes Extract): improves skin hydration, helps whiten the skin and fight oxidative stress
(10) O'Young (Broccoli Sprout): serves as a super antioxidant
(11) Guard U® (Cabbage Extract): contains vitamin U and inhibits gastric ulcers
(12) Ocean White® (Sargassum glaucescens Extract): serves as an antioxidant with anti-UV effect.
(13) Dragon Power® (Polygonatum kingianum Extract): increases male testosterone levels and helps improve sexual function
(14) Soba!® (Polygonatum kingianum Extract): increases high-density cholesterol levels and helps regulate blood lipids
(15) SugarCut® (Unripe Guava Fruit): inhibits the increase of blood sugar and helps lose weight and improves the symptoms of diabetes
(16) Happy Angel® (Banana Stamen Extract) : helps prevent prostate hypertrophy
(17) Dr.Lu (Sea Bass Extract) : promotes wound healing and enhance immunity
(18) Sun &Moon Enzyme® (Fermentd Dioscorea opposite): protects gastric mucosa and relieves gastric ulcers
(19) Block 2.5® (Pear Unripe Fruit Extract): repairs lung epithelial cells and removes PM 2.5 from the body
(20) DKM® (Eggshell Membrane): for degenerative arthritis care

(21) TCI633 (Streptococcus thermophilus): helps improve skin condition and self-production of hyaluronic acid

(22) TCI378 (Lactobacillus plantarum): Protects the intestines and reduces fat, lowers the rate of fat absorption, and accelerates the decomposition and metabolism of fat

(23) TCI028 (Lactobacillus plantarum): Manages and controls 3 highs and prevents atherosclerosis

(24) TCI507 (Lactobacillus plantarum): Manages and controls 3 highs, lower blood cholesterol levels, and reduces fat to help weight control

(25) TCI711 (Bacillus coagulans): Metabolizes alcohol, reduces ROS, and protects the liver

(26) TCI999 (Lactobacillus plantarum): Activates cells

(27) TCI058 (Lactobacillus casei): Increases muscles and reduce fat, produces CLA, and promotes lipolysis

(28) TCI357 (Lactobacillus helveticus): Removes PM2.5, improves respiratory allergies and lung cleansing

(29) Banana Fermentation: Regulates the intestinal microbiome, increases, through fermentation, the amount of water-soluble fiber, SOD, and organic acids

(30) Angelica dahurica Fermentation: Helps improve skin condition and inhibit melanin

(31) Gardenia jasminoides Fermentation: Reduces the anti-inflammatory factor NO content with anti-inflammatory effects

(32) Amomum villosum Fermentation: Improves hepatic lipid metabolism and inhibits the formation of the fatty liver

(33) Punica granatum Fermentation: Improves skin condition and helps increase collagen content

(34) Actinidia deliciosa Fermentation: Improves gastrointestinal health and digestion and relieves gastrointestinal discomfort

(35) Citrus reticulata Fermentation: Helps control weight and improve fat metabolism

(36) TCI Musicalzyme (pop): Helps control weight and improve fat metabolism

(37) Blackzyme: Reduces the damage of blue light to eyes with anti-blue light effects

(38) Rhizoma Imperatae Fermentation: Improves skin condition and helps increase collagen content

(39) Semen Raphani Fermentation: Improves cardiovascular health, reduces foam cells

(40) Watermelon Extract: Improves cardiovascular health, reduces foam cells

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

In addition to the use of solid-state tissue culture technology, the Company also develops new operation modes such as tidal and automated culture, and strengthens the control of production capacity and cost on the basis of existing stable production to create more effective IBD raw materials. Recently, TCI also developed skin care products that are different from the market, such as snowlotus stem cells and iceplant stem cells. Through cell experiments, gene platform to final skin test integration, TCI thoroughly presents the specificity and function of raw materials, so that customers can more clearly understand the true mechanism of effect.

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

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

2) Gene analysis platform and products and services

Genetic research is gradually bringing human cognition of medical and health care to the precise application of personalization. The Company's G2 gene detection kit has been developed for DNA genetic testing products specifically for Asian Chinese. Sixty chronic diseases can be detected at a time, which provides the risk of diseases as a reference for the personalized health management. The G2 gene test kit for the assessment of inheritance risks includes tests for metabolic diseases such as diabetes, hypertension, hyperlipidemia, obesity, and cardiovascular related diseases such as stroke, coronary artery disease, and about 14 cancer such as colorectal cancer, liver cancer, and breast cancer. In addition to the genetic detection kits related to the disease and health, the Company has paid more attention to the needs of the general public and created many consumer genetic testing kits. Designed a number of genetic testing kits aiming for different ethnic groups such as the OB obesity gene kit for the slimming group, the BS kit for the beauty group, the environmental toxic metabolism kit, the oral inflammation kit, the pregnant mommy stretch marks and the keloid kit, cell anti-aging kit. The Company has accumulated a total of 6,000 gene detection commissions. Through the newly created health management e-platform, the public can obtain personal genetic testing information while maintaining personal privacy rights. In addition, through our e-platform, clients can choose individual health management strategies, including genetic nutrition specialties, genetic nutrition drips, gene exercise prescriptions, professional health consultation, medical health insurance, core health management plans and other diverse programs, to meet more needs of people for health care.

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

3) Research and application of symbiotic microorganisms

Microbial immunology has a very important role in clinical practice, and it is also closely related to the health of people in daily life. The Company will invest more in the development of functional probiotics, and establish its own proprietary database of beneficial bacteria, including two series of self-produced strains and gene-regulated strains. For example, TCI633, which produces small molecule hyaluronic acid, is self-generated bacteria. According to the latest R&D data, TCI633 has significant curative effect on initial degenerative arthritis. At the same time, through genetic research, it is pointed out that TCI633 may slow down the initial degenerative arthritis swelling and pain by regulating the activity of osteoblast production. Our R&D team will develop more self-generated series of strains and use the metabolic products of beneficial bacteria to achieve the health care effects of nutritional supplementation. The gene-regulated strains will target chronic diseases such as hypertension, high blood fat, diabetes, obesity, etc., so that microorganisms can regulate the expression of certain specific genes in the human body. Therefore, in the future, the people will continue to supplement with the good bacteria, so that the good bacteria can colonize the body and align with the physiological regulation mechanism of the human body. This utilized the microbiology and human symbiosis to achieve the best benefits of health promotion. As of February 2019, the Company's own proprietary and proven probiotics are:

(1) TCI633： relieves discomfort of degenerative arthritis and prevents the development of degenerative arthritis

(2) TCI378： reduces cholesterol production, increases fat metabolism, and helps with weight management

(3) TCI028： reduces TMAO in the blood, prevents cardiovascular disease, and is resistant to garlic

(4) TCI507： decreases the level of cholesterol in blood and helps regulate blood lipids

(5) TCI711： promotes liver function and helps toxins degrade and excrete, reducing the accumulation of toxins in the human body.

(6) TCI999： improves longevity gene performance and avoids aging

(7) TCI357： improves lung cell repair and PM2.5 clearance rate for respiratory health care

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

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

b. The competition of products

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

Since 2018, the Company has created a new operation mode of “Bio-resource Data-mining”, which is manufactured by gene technology, big data, automation, smart formulation platform and industry 4.0. Therefore, starting from integrating large data form the high-automation devices, which can only be seen in front of the screen including real-time fluorescence quantitative analyzer, AOI automatic optical detection, high speed and high throughput sample processing arm, fully automatic nucleic acid extraction, and fully intelligent six-axis arm, it turns artificial intelligence and automated laboratories into reality. It also combines global biotechnology resources to create high-performance products. Product development focuses on new materials and extraction, screening technology. Based on the extraction and screening conditions of raw materials, they are incorporated into the the experimental design according to the characteristics of the material, the required time, output power, temperature, material liquid ratio, material size and other variables. And the extraction and screening conditions are optimized, and the stability and effective absorption are sought. In addition, through automated research and development, it combines seven kinds of extraction and biotransformation processes, 100 kinds of cell efficacy platform experiments, 200 gene regulation and expression mechanisms, 15 kinds of natural components analysis. Each effect component needs 17,700 experiments. After the vertical integrated automation of "bio-mining", it has increased efficiency by 70 times. Installing high-speed engines accelerates the value of global biological resources. The Company gradually increased the proportion of IBD raw materials automatically, actively distribute patents and increase the advantages that other competitors could not copy.

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

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

(3) Technology and R&D overview

A. Technical Level and Research Development of the Business

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

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

1) Next Lab:

The Next LAB scouts and pinpoints research topics that are perceptive and far-sighted; with the powerful resources of the organization as back up, these forward-thinkers combining the most recent advancements from various academic institutions, acts as the incentive for innovative differentiation. We have successfully developed plant-stem-cell engineering technology that resolved the issues of sustainability with rare/ precious medicinal plants and herbs. The ability to produce stable supplies through callus tissue cultures that more importantly amplifies the final product potency from the refinement of ingredient activity and bioavailability; presenting to our clients the assurance of quality and stability of every product efficacy. Plant-stem-cell generated ingredients can be applied to both supplement & skincare. In addition, we utilize micro-emulsion encapsulation technology to give oil-soluble substances water solubility as to stretch product application and diversity. Through rigorous technological developments, and configuration of global patents, we continue to innovate, experiment and practice; solving potential problems for our clients before they even occur and foreseeing the needs of consumers before they even realize through creating fully lifestyle integrated experiences.

2) H&M Lab:

The Human Microbiome Laboratory (H&M Lab) primarily focuses on the establishment of a versatile bank of multifunctional microbial strains. Through active screening of probiotics and the natural flora function feedback loop, our development of target-specific microfloral adjustment and modification from selective bacterial manipulation truly benefit each individual and truly improves consumers’ lives.

3) MIA Lab (Molecular Identification & Analysis Laboratory)

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

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

Through the numerous collaborations with renowned medical research centers, we have laid the groundwork for a pioneering visualization of the clinical verification techniques, by issuing product validation reports to secure the reliability and integrity of a product's consistency, ensuring only the best is delivered, for our clients and for consumers.

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

The Q-ODM LAB implements the formulations provided by the Product-Development department and crafts theoretical designs into reality, as to ensure and prepare for a zero complication manufacturing process and the most reliable mass production schedule. Simultaneously adopting fine-tuning in the advancement of our production processes; the moment the initial samples are created, the planning for all considerations regarding production flow, and product optimization commences immediately. Through parametric analysis of all available sensory tests, flavor evaluations, skin reactions to sheetmasks and dermatological referencing, we have achieved the highest Quality standards, while being the Quickest in awareness for new business opportunities and lastly providing the economics of rational Quotations.

6) ISO17025 Lab

The ISO17025 Lab is internationally recognized 17025-certified by the Taiwan Accreditation Foundation (TAF). It is equipped with GC-MS/MS and LC-MS/MS to safeguard the products you receive with the fittest international criteria met, and to uphold our insistence that all products conform to the high-efficacy standard. TCI is the leaders that set an industry changing implementation of "100% Safety" product résumé licensing system which contains the entirety of product detailed specifications and every test report conducted from the ingredient to the finished products. Measuring over 300 test targets, those including but not limited to 3 major preservatives classes, 7 dominant microorganisms groups, 9 main heavy-metals categories and 105 pesticide residues. The datasheet documents are attached to the finished products before shipment, so our clients can be completely at ease upon receiving their goods.。

7) Gene Lab

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

8) Eagle Eye Lab

To comply with the mass output of a high-speed automated production line, the pace and accuracy of manual inspection can no longer meet these demands. The Eagle Eye Laboratory develops more focus sensitive monitoring equipment; that now provides direct online monitoring through computerized visual-identification system technology; generating cloud linked database to create a high-proficiency manufacturing environment that promises sure quality.

9) AI-STEM

In response to the amendments to the law concerning cell therapy in Taiwan in 2018, TCI established the AI-STEM (Anti-age Institute for Stem Cell Technology and Experimental Medicine) laboratory in September 2019, mainly responsible for the development of human cell therapy technology.

By adopting exclusive cell culture technology, the laboratory produces cell preparations of the highest quality for the treatment or prevention of diseases. In the process of developing cell therapy, IBD raw materials developed by the unique Bio-resource Data Mining system will be combined with a "cell efficacy verification platform" to find out the impact of raw materials on human stem cell activity and functionality, so as to find the best raw materials for human cell activity.

B. Research and development personnel and their eduaction

In terms of personnel quality, the master's degree at the end of March 2020 accounted for 70.9% of the total number of R&D personnel.

Unit: person / year

Item \ Year		2018	2019	As of March 20, 2020
Academy Ratio of R&D Staff	Ph.D	11	19	12
	Master	57	62	58
	College	24	42	26
	Below Senior High School (Included)	2	1	0
Total		94	124	95
Average Years of Service		2.1	2.19	2.09

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

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

Unit:NT$1,000

Item \ Year	2017	2018	2019
Research and Development Expenses(A)	182,276	438,046	510,846
Operating Revenue(B)	4,072,168	8,098,414	9,566,132
Ratio of Research and Development Expense to Operating Revenue (A/B)	5%	5%	5%

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

Year	Major Achievements
2017	1. Application research of young pear fruit extract in respiratory health care and detoxification products 2. TCI378 reduced fat probiotics 3. Black tomato extract in eye care health food application development 4. Xueyan extract in the development of tight skin care products 5. Sailboat grape extract in the development of the compact anti-aging effect 6. Eclipta extract in the development of whitening skin care products 7. Orange peel fermentation in body fat management product development 8. Application of mango fruit extract to anti-glycation and fat-reducing products 9. TCI711 detox probiotics 10. Fucus algae extract that enhances skin elasticity and anti-aging

Year	Major Achievements
2018	1. Tree tomato extract in eye care health food application development 2. Liulan extract in the development of moisturizing skin care products 3. Water scented extract for skin care products development 4. Peach glue extract for the development of elastic care products 5. Prickly pear extract in the application of full-effect antioxidant health food development 6. Banana stamen extract in the development for hair care products 7. Buckwheat hull extract in the development for anti-glycation health food 8. Tenaka bark extract is used to prevent skin aging and skin care products development 9. Red dragon ovule extract for anti-glycation health food application development 10. Durian carpel extract in development for anti-fatigue health food applications 11. Paramita white core extract in development for women's health care food applications 12. Dendrobium candidum extract for skin care application development 13. Kaqi huatima extract in the development for anti-aging products 14. Daidai flower extract for the health food of beauty skin and fat loss development 15. Jinhua tea extract is used in the application of the health food of skin fat reduction 16. Purple citronella extract for Qingfei health food development 17. Tea trunk cells in development for skin care products 18. Coffee cherry for the health food of beauty skin development 19. TCI507 orange bacteria can reduce blood lipids and regulate intestinal bacteria 20. TCI357 pear bacteria can repair lung epithelial cells and enhance the ability of macrophages to phagocytose PM2.5. 21. TCI028 good heart bacteria can can prevent atherosclerosis and reduce the risk of new blood vessel diseases 22. Pomegranate fermented foods and skin care products for whitening and skin firming.
2019	1. Dill extract in brain health food application development 2. Gold raspberry extract in the application of beauty health food application development 3. Traveler tree extracts for anti-aging health food application development 4. Wild cherry blossom extract is applied to the beauty health food application development 5. Emerald Cherry Extract for Skin Care Food Application Development 6. Indiana extract is applied to antioxidant health food application development 7. Banana Extract in health food application development 8. Peanut Skin Extract in health food application development 9. Wasabi Leaf Extract in beautycare health food application development 10. Ponkan Unripe Fruit Extract in health food application development 11. Indian Jujube Unripe Fruit Extract in health food application development

Year	Major Achievements
	12. Jellyfish Proteins Extract in health food application development 13. Sargassum glaucescens Extract in health food application development 14. Djulis Extract in beautycare health food application development 15. Flammulia velutipes Extract in health food application development 16. Sea Grapes Extract in beautycare health food application development 17. Broccoli Sprout Extract in health food application development 18. Cabbage Extract in health food application development 19. Polygonatum kingianum Extract in health food application development 20. Buckwheat Husk Extract in health food application development 21. Unripe Guava Fruit Extract in health food application development 22. Banana Stamen Extract in health food application development 23. Sea Bass Extract in health food application development 24. Fermentd Dioscorea opposite in health food application development 25. Pear Unripe Fruit Extract in health food application development 26. Eggshell Membrane Extract in health food application development 27. Streptococcus thermophilus in beautycare health food application development 28. Lactobacillus plantarum TCI378 in health food application development 29. Lactobacillus plantarum TCI028 in health food application development 30. Lactobacillus plantarum TCI507 in health food application development 31. Bacillus coagulans TCI711in health food application development 32. Lactobacillus plantarum TCI999 in health food application development 33. Lactobacillus casei TCI058 in health food application development 34. Lactobacillus helveticus TCI357 in health food application development 35. Banana Fermentation in health food application development 36. Angelica dahurica Fermentation in beautycare health food application development 37. Punica granatum Fermentationin health food application development 38. Amomum villosum Fermentationin health food application development 39. Punica granatum Fermentation in beautycare health food application development 40. Actinidia deliciosa Fermentation in health food application development 41. Citrus reticulata Fermentation in health food application development 42. TCI Musicalzyme (pop) in health food application development 43. Blackzyme in health food application development 44. Rhizoma Imperatae Fermentationin health food application development 45. Semen Raphani Fermentation in health food application development 46. Watermelon Extract in health food application development

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

A. Short-Term Development Plans

1) Rapidly develop new products with opportunities for market trends, continuously strengthen formula design and intensify product efficacy to enhance product efficiency. Meet market needs with production cost control and innovative product packaging design to expand market share.

2) Continue to strengthen the development of local materials in Taiwan, and aim to become exclusive raw materials. Especially strengthen, scientize and value-add Taiwan's native agriculture.

3). Devote to improving the product design capability and technical level of R&D personnel to increase market competitiveness.

4) Use a bioreactor in a liquid culture manner to cultivate plant callus (stem cells) in a large scale, develop optimum production conditions for each product, and strengthen product efficiency and reduce production costs.

B. Long-Term Development Plans

1) Continue to communicate and cooperate with universities and hospitals, and research and develop more new materials, products and efficacy verification in combination with academic resources.

2) Fully integrate raw materials, establish its own experimental extraction plant at the processing end, and plant plants with development potential on its own to achieve full-scale integration of raw materials.

3) Research and development of genetic testing, research on the relationship between genetic and genetic diseases, and related clinical trial projects.

4) The relationship between the application of microbial immunology to clinical medicine and personal health.

2. Market, production and sales overview

(1) Market analysis

A. Target regions

Unit: NT$1,000; %

Counterparty \ Year	2018		2019	
	Amount	%	Amount	%
Domestic Customers	378,065	4.67%	436,140	4.56%
Overseas Customers	7,720,349	95.33%	9,129,992	95.44%
Total	8,098,414	100.00%	9,566,132	100.00%

B. Market share

Unit: US$ billion

Item	Estimated Global Market Size in 2018	The Company's Annual Revenue in 2018 (Note)	Market Share
Supplements and Functional Foods	2,309	2.82	0.11%
Cosmetic and Skin Care Products	5,704	0.24	0.004%

Data source: Euromonitor, mordorintelligence

Note: The currency exchange rate between US$ and NT$ was 1:30.91.

C. Market supply and demand situation and growth in the future

In 2018, the global health food market is expected to reach US$230.9 billion. In recent years, the trend of natural, plant extract, organic sources and sugar-reducing formulas, and the rapid development of products such as protein, fish oil, Omega fatty acids and probiotics, will be Develop and manufacture related products based on the development trend of health foods. According to the market research report of Mordorintelligence, the global beauty care products market reached US$5,704 in 2018. It is estimated that the global beauty care products market will reach US$805.6 billion in 2023, with a compound annual growth rate of 7.14%.

D. Competitive Niche

1) Continuous development of new materials

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

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

2) Actively deploy overseass markets

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

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

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

3) Product quality assurance and validation

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

E. Advantages, Disadvantages and Countermeasures of Developing Prospects

1) Favorable factor

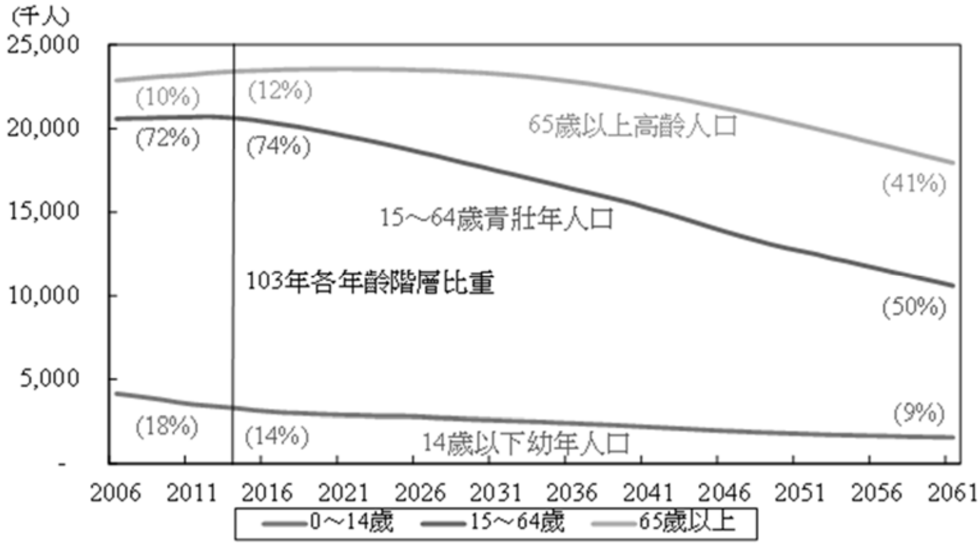
a. Development of preventive medicine and adjuvant therapy

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

b. Health awareness and the elderly population increase to increase market demand

Chinese people are affected by social and people's livelihood problems such as long-term stagnation of real wages and high housing prices. Coupled with the rise of Chinese singleism and the gradual decline of the concept of raising children, the people's fertility will decline for a long time, and the population structure of China continues to be aging. According to the Ministry of the Interior. According to statistics, the proportion of the elderly population in Taiwan increased to 14.09% in 2017, officially entered the old age society, and entered the super senior age (more than 20%) in 2035. As the elderly population pays more attention to their own health and the food consumption budget is higher, it will drive the market scale of domestic health food, nutritional supplement food, natural grain, fruits and vegetables and fresh food to continue to expand.

Taiwan's demographic trends



Data source: Ministry of the Interior, R.O.C. (Taiwan)

Population estimation of the Republic of China: collected by Topology Research Institute, 2015/04

c. Consumer self-care awareness

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

d. Increased income in China and the emphasis on health awareness

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

e. Increased female spending power

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

f. The rise of genomics

Scientists are currently studying the interrelationship between genes, diets, and diseases of "personal genomics," so-called nutrigenomics, to achieve life management and disease prevention, and even predictive purposes. Personal genetic testing confirms whether it is prone to metabolic syndrome or other diseases, and provides health measures for life, diet, and health food applications to achieve preventive effects.

2) Unfavorable factors and countermeasures:

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

<u>Action Plans:</u>

a-1 The Company is guided by the needs of consumers. In the development process, the products assist customers to conduct feasibility analysis and produce specific marketing plans, and to grasp the analysis of target group preferences, so that products can grasp market trends before production and can avoid Develop highly competitive products.

a-2 The Company set up a function verification laboratory to conduct experimental verification on product efficacy, give scientific data and proof with high reference value, and cooperate with various medical centers or professional institutions to open a complete professional verification report to enhance customer confidence and satisfaction. degree.

a-3 The Company conducts molecular-level DNA and RNA research on raw materials and products, understands how raw materials and products work in the human body, and understands the synergy between the various materials for efficacy, which can be used to design products. The most effective product.

a-4 The Company has applied for patents in Taiwan, the United States, China, South Korea, Hong Kong, Japan, Germany, France, India, Singapore and Europe. Up to now, 239 patents have been approved and 265 applications have been approved to prevent research and development. Infringed by others, innovative products to ensure the competitive advantage of the Company and its customers.

a-5 The Company has two GMP-certified factories, such as a capsule tablet factory and a functional beverage factory, which have improved the Company's self-made rate. Currently, we are actively expanding the domestic demand market and other overseass markets in China, and we have established health food factories and mask factories in Jinshan District, Shanghai, China to directly serve local and international customers with high efficiency and competitive prices.

a-6 The Company uses a variety of autonomous IBD (Integrated Bio-science Design) raw materials such as banana peel and peanut film. In 2014, it also used 12 kinds of health care products (including Formosa RubyTM, Cleaner JTM, Dragon PowerTM, etc.). Won the international invention awards, through the differentiation of raw materials and dosage forms, develop unique products to lead the market and avoid competition among peers.

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

<u>Action Plans:</u>

b-1 China's market will increase its market size with the increase of people's income. Therefore, the Company has established a large-scale service base to gradually promote the entire line of products to the Mainland China area.

b-2 At present, sales in the US and Europe account for a gradual increase in the overall proportion of the Company. Through the successful model of business development, we actively strive for orders from internationally renowned manufacturers.

b-3 The Company is also actively developing the Southeast Asian market. Considering that there are many Muslims in Indonesia and Malaysia, in addition to applying for HALAL certification, and developing new products that meet local customs, such as fish collagen drinks, to enhance consumer purchases. Willingness.

b-4 The Company's Legal Intelligence Department has collected and organized the laws on health food and beauty care products in Taiwan, China, Malaysia, Hong Kong, the United States and Europe to ensure that the Company's products can fully comply with regulations and reduce legal risks.

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

Action Plans:

c-1 The R&D department laboratory of the Company is responsible for raw material development, formula design and efficacy verification, and manufactures according to SOP specifications. After being issued by the Quality Assurance Center, it can be listed to ensure the safety and efficacy of the products.

c-2 Because the Health Department of the Executive Yuan has strict specifications for healthy foods, if the Company's products want to obtain the certification of healthy foods, it must undergo a rigorous review process, indicating that the certified products have passed the quality control of government units, making it easier. With the recognition of consumers, the Company has obtained ISO9001, ISO22000, ISO17025, HACCP, Sedex, FSSC22000, food GMP, functional food GMP, HALAL and other quality certifications at home and abroad, and established standardized production processes and strict production in the production plant. Quality control, so the product is highly competitive.

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

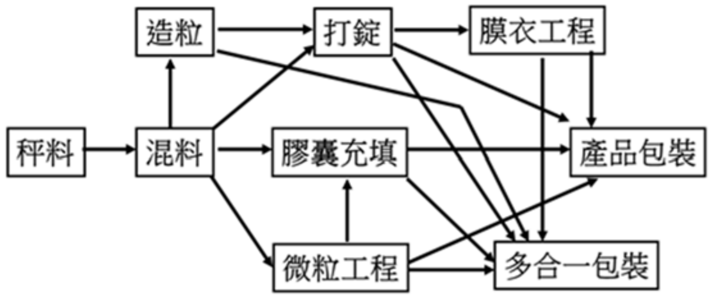
A. Major functionalities

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

B. Manufacturing process

1) Functional beverages

2) Capsules, tablets, powders



(3) Supply of main raw materials

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

(4) List of major suppliers and sales customers in the last two years

A. The name of the supplier and its purchase amount and ratio, which accounted for more than 10% of the total purchase amount in any year in the last two years, and the reason for the increase or decrease: the Company did not purchase a single supplier in 2017 and 2018. The amount accounts for more than 10% of the total purchase.

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

Unit: NT$1,000

Item	2018				2019			
	Customer Name	Amount	%	Relationship	Customer's Name	Amount	%	Relationship
1	Customer M	1,598,916	19.74	None	Customer M	1,702,480	17.80	None
2	Customer L	2,163,991	26.72	None	Customer L	1,045,494	10.93	None
3	Others	4,335,507	53.54	－	Others	6,818,158	71.27	－
	Annual Revenue	8,098,414	100.00	－	Annual Revenue	9,566,132	100.00	－

Reasons for increase or decrease:

The sales of M's products in each year were stable, and the sales volume increased slightly compared with last year. However, the ratio of total sales to sales decreased compared with last year, mainly due to the others who sold hot functional drinks this year. In addition, customer L was subject to adjustments in local regulations, which led to a decrease in sales.

(5) Quantity of production in the last two years

Unit: NT$1,000 / 1000 pcs

Year / Product Category	2018			2019		
	Production Capacity	Quantity of Production	Sales	Production Capacity	Quantity of Production	Sales
Functional Beverages	226,800	154,378	2,518,738	266,448	170,728	3,406,917
Dietary Supplements	Note	Note	1,564,334	Note	Note	1,636,547
Cosmetic and Skin Care Products	Note	Note	443,947	Note	Note	507,181
Total			4,527,019			5,550,645

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

Change Analysis:

The company's 2019 annual output value continued to rise compared with 2018, mainly due to the good sales of various products and the steady growth of production lines.

(6) Sales and production quantity in the recent two years

Unit: NT$1,000 / 1000 pcs

Year / Product Category	2018				2019			
	Domestic Customers		Overseas Customers		Overseas Customers		Overseas Customers	
	Quantity	Sales	Quantity	Sales	Quantity	Sales	Quantity	Sales
Functional Beverages	11,295	180,296	158,758	4,142,140	10,539	174,625	213,004	5,648,059
Dietary Supplements	Note	111,472	Note	2,986,440	Note	132,202	Note	2,737,835
Cosmetic and Skin Care Products	Note	38,324	Note	570,781	Note	50,389	Note	700,883
Others	Note	47,973	Note	20,988	Note	78,924	Note	43,215
Total		378,065		7,720,349		436,140		9,129,992

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

Change Analysis:

The Company's annual sales in 2019 were increased compared with 2018, mainly due to the continuous growth of sales in various regions and products.

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

Unit: person

Item \ Year		2018年度	2019年度	2020年度截至3月20日止
No. of Employees	Salesperson	95	98	112
	Management Staff	110	110	134
	R& D Staff	116	123	106
	Direct Staff	450	441	626
	Total	771	772	978
Average Age		31.4	31.2	31.9
Average Years of Service		2.5	2.2	2.2
Academy Ratio (%)	Ph.D	2.71	2.53	2.15
	Master	23.32	24.00	21.68
	College	51.55	50.40	55.72
	Below Senior High School (Included)	22.42	23.07	20.45
	Total	100.00	100.00	100.00

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

4. Environmental expenditure information

(1) According to the law, the instructions for applying for, paying or setting up the requirements for the application, payment or establishment of the pollution facility permit or pollution discharge permit or the need to pay the pollution prevention cost or the establishment of the environmental protection special unit:

The Company has no special pollution in the process, so there is no need to apply for a pollution installation permit or a pollutant discharge permit. In addition, the factory of the Company's Chinese subsidiary has only the function of outer box packaging, and there is no special pollution on the process. It is generated, so there is no need to apply for a pollution installation permit or a pollutant discharge permit.

(2) Investment in the prevention and control of major environmental pollution equipment and its use and possible benefits: None.

(3) In the past two years and the end of the annual report, the Company has improved the environmental pollution, and it has incidents of pollution disputes, and should explain its treatment: None.

(4) The total amount of losses (including compensation) and dispositions suffered by the Company due to environmental pollution in the last two years and the end of the annual report, and the future response measures (including improvement measures) and possible expenditures (including failure to take countermeasures) The estimated amount of loss, disposition and compensation that may occur, if it cannot be reasonably estimated, should state the fact that it cannot be reasonably estimated): None.

(5) The impact of the current pollution situation and its improvement on the Company's earnings, competitive position and capital expenditures and the estimated major environmental capital expenditures for the next two years: None.

5. Labor Relations

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

A. Employee welfare measures

The Company and subsidiaries in Taiwan, except for the law and related laws and regulations, all employees are involved in labor insurance, universal health insurance, group accident insurance, and provide wedding and funeral allowances and various allowances, and hold regular birthday celebrations. In addition to special festivals, staff gifts (goods), year-end tails, year-end bonuses, employee subscriptions and dividends, etc., and the establishment of the employee welfare committee to coordinate various employee welfare plans; in addition to paying social fees for employees in accordance with Chinese laws and regulations In addition to insurance and housing provident fund, it also provides benefits such as wedding and funeral benefits and various allowances, year-end tails, and year-end bonuses.

B. Eductation and training

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

C. Retirement System and its Implementation

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

D. The agreement between the employers and the employees

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

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

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

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

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

6. Important contracts:

As of the date of printing of the annual report, the important contracts that are still in force or will expire in the most recent year are listed as follows:

Contract Type	Contractor	Contract Counterpart	Contract Duration	Main Content	Restrictions
Lease contract	The Company	Pingtung Agricultural Biotechnology Park	2009/11/4~2024/2/24	Land lease	None
Lease contract	The Company	Pingtung Agricultural Biotechnology Park	2015/8/16~2024/2/24	Factory land lease	None
Investment Service Agreement	The Company	*Shanghai Xinjinshan Industrial Investment Development Co*., Ltd. (China)	2011/11/25	Shanghai Jinshan Factory in the Industrial Zone	None
Strategic Alliance Memorandum	The Company	DAIDO PHARMACEUTICAL CORPORATION	From April 8th, 2014, until the date when both parties agree to terminate or rescind	Technical support for TCI by DAIDO PHARMACEUTICAL CORPORATION provides and the joint development of the Asia-Pacific market	None
Strategic Cooperation Agreement	The Company	Chori Co., Ltd.	2015/9/1~2020/8/31	Joint market expansion and development of raw materials through IBD technology	None
Purchase Contract	The Company	NIHON TAISANBIN GLASS BOTTLE MGF CO., LTD.	From the signing date of the contract to the date when both parties agree to terminate or rescind	Purchases of bottles and the confidential contracts	None
Contract for Construction Project	The Company	VERIZON CONSTRUCTION	From the signing date to the expiration of the warranty period	The construction of S11 facial mask factory	None

VI. Financial Information

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

(1) Condensed Balance Sheet

A. Condensed Balance Sheet

a. Stand-alone Condensed Balance Sheet

Unit: NT$1,000

Item \ Year		Financial Information in the Recent 5 Years				
		2015	2016	2017	2018	2019
Current Assets		1,013,588	1,041,220	1,022,643	3,080,004	2,655,330
Property, Plant, and Equipment		718,830	931,231	1,341,941	1,555,891	1,883,457
Intangible Assets		16,969	19,898	17,755	15,954	19,532
Other Assets		1,030,988	1,597,970	2,015,396	3,949,579	5,817,718
Total Assets		2,780,375	3,590,319	4,397,735	8,601,428	10,376,037
Current Liabilities	Before Distribution	314,828	684,149	873,719	2,381,478	2,781,495
	After Distribution	412,742	835,392	1,108,650	3,099,731	Note
Noncurrent Liabilities		226,641	144,324	137,938	461,467	461,467
Total Liabilities	Before Distribution	541,469	828,473	1,011,657	2,877,542	3,242,962
	After Distribution	639,383	979,716	1,246,588	3,595,795	Note
Shareholder's Equity Attributable to Parent Company		—	—	—	—	—
Paid-in Capital		731,097	756,213	870,117	1,026,076	1,196,172
Capital Surplus		1,176,135	1,400,258	1,453,414	2,256,871	2,600,733
Retained Eernings	Before Distribution	410,135	750,139	1,197,690	2,613,710	3,757,296
	After Distribution	233,889	485,464	832,241	1,741,546	Note
Other Equity Interests		(129)	(144,764)	(135,143)	(172,771)	(421,126)
Treasury Stock		—	—	—	—	—
Non-Controlling Interest		—	—	—	—	—
Total Equity	Before Distribution	2,238,906	2,761,846	3,386,078	5,723,886	7,133,075
	After Distribution	2,140,992	2,497,171	3,020,629	4,851,722	Note

Data source: The Financial Statements approved by the CPAs.

Note: The proposal for the distribution of the 2019 earnings is yet to be resolved in the 2020 shareholders' meeting.

b. Consolidated Condensed Balance Sheet

Unit: NT$1000

Item \ Year		Financial Information in the Recent 5 Years				
		2015	2016	2017	2018	2019
Current Assets		1,917,085	2,347,346	2,831,034	7,227,635	6,300,355
Property, Plant, and Equipment		1,064,453	1,285,128	1,682,933	1,925,376	2,488,439
Intangible Assets		23,709	26,493	25,667	25,266	31,196
Other Assets		162,897	242,504	301,049	1,108,463	2,008,628
Total Assets		3,168,144	3,901,471	4,840,683	10,286,740	10,828,618
Current Liabilities	Before Distribution	632,450	964,450	1,272,551	4,008,630	3,130,132
	After Distribution	730,364	1,115,693	1,507,482	4,762,883	Note
Noncurrent Liabilities		281,062	155,324	149,860	509,068	490,985
Total Liabilities	Before Distribution	1,119,774	1,422,411	1,422,411	4,517,698	3,621,117
	After Distribution	1,011,426	1,271,017	1,657,342	5,235,951	Note
Shareholder's Equity Attributable to Parent Company		2,238,906	2,761,846	3,386,078	5,723,886	7,133,075
Paid-in Capital		731,097	756,213	870,117	1,026,076	1,196,172
Capital Surplus		1,176,135	1,400,258	1,453,414	2,256,871	2,600,733
Retained Eernings	Before Distribution	410,135	750,139	1,197,690	2,613,710	3,757,296
	After Distribution	233,889	485,464	832,241	1,741,546	Note
Other Equity Interests		(129)	(144,764)	(135,143)	(172,771)	(421,126)
Treasury Stock		—	—	—	—	—
Non-Controlling Interest		15,726	19,851	32,194	45,156	74,426
Total Equity	Before Distribution	2,254,632	2,781,697	3,418,272	5,769,042	7,207,501
	After Distribution	2,156,718	2,517,022	3,052,823	4,896,878	Note

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

Note: The proposal for the distribution of the 2019 earnings is yet to be resolved in the 2020 shareholders' meeting.

(2) Statements of Comprehensive Income

A. Statements of Comprehensive Income

a. Stand-Alone Statements of Comprehensive Income

Unit:NT$1,000

Year / Item	Financial Information in the Recent 5 Years				
	2015	2016	2017	2018	2019
Operating Revenue	1,359,951	1,866,553	2,395,952	5,090,620	6,332,067
Gross Profit	323,201	404,751	638,065	1,201,081	2,246,892
Operating Porfit	41,740	(34,826)	68,893	223,628	979,472
Non-Operating Income and	218,873	553,037	670,506	1,683,577	1,245,313
Pre-tax Income	260,613	518,211	739,399	1,907,205	2,224,785
Net Income for Continuing Operations	247,457	516,250	712,226	1,794,899	2,016,129
Loss from discontinued	—	—	—	—	—
Net Income	247,457	516,250	712,226	1,794,899	2,016,129
Other Comprehensive Profit and Loss (after Tax)	(23,443)	(95,616)	(22,264)	(65,140)	(157,363)
Compressive Income	224,014	420,634	689,962	1,729,759	1,858,766
Earnings per Share	4.02	6.90	8.23	17.79	17.02

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

b. Consolidated Statements of Comprehensive Income

Unit: NT$1,000

Year / Item	Financial Information in the Recent 5 Years				
	2015	2016	2017	2018	2019
Operating Revenue	2,064,531	3,109,676	4,072,168	8,098,414	9,566,132
Gross Profit	731,899	1,292,513	1,654,399	3,516,952	4,015,487
Operating Porfit	268,409	622,775	879,450	2,036,923	2,202,317
Non-Operating Income and Expenses	20,761	12,267	11,041	169,614	202,914
Pre-tax Income	289,170	635,042	890,491	2,206,537	2,405,231
Net Income for Continuing Operations	241,233	513,547	720,824	1,807,379	2,037,966
Loss from discontinued operations	—	—	—	—	—
Net Income	241,233	513,547	720,824	1,807,379	2,037,966
Other Comprehensive Profit and Loss (after Tax)	(23,745)	(95,644)	(22,551)	(64,658)	(157,509)
Compressive Income	217,488	417,903	698,273	1,742,721	1,880,457
Profit Attributable to Owners of the Parent Company	247,457	516,250	712,226	1,794,899	2,016,129
Non-controlling interest	(6,224)	(2,703)	8,598	12,480	21,837
Shareholder’s Equity Attributable to Parent Company	224,014	420,634	689,962	1,729,759	1,858,766
Non-controlling interest	(6,526)	(2,731)	8,311	12,962	21,691
Earnings per Share	4.02	6.90	8.23	17.79	17.02

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

(3) Independent auditors’ names and their audit opinions for the past five years

A. Independent auditors’names and their audit opinions for the past five years

Year	Name of CPA Firm	Name of CPA	Auditor’s Opinions
2015	PricewaterhouseCoopers Taiwan	Ping-Chiun Chih, Han-Chi Wu	No Special Opinions
2016	PricewaterhouseCoopers Taiwan	Ping-Chiun Chih, Kuo-Hua Wang	No Special Opinions
2017	PricewaterhouseCoopers Taiwan	Ming-Chuan Hsu,Kuo-Hua Wang	No Special Opinions
2018	PricewaterhouseCoopers Taiwan	Ming-Chuan Hsu,Kuo-Hua Wang	No Special Opinions
2019	PricewaterhouseCoopers Taiwan	Ming-Chuan Hsu,Kuo-Hua Wang	No Special Opinions

B. The reason for the change of accountants in the past five years: The CPAs of the Company's financial report were Ping-Chiun Chih and Han-Chi Wu who are originally from the PricewaterhouseCoopers Taiwan. Since the 1st quarter of 2016, in order to meet the needs of the internal rotation of the firm, For the support of Ping-Chiun Chih and Kuo-Hua Wang, from the 1st quarter of 2017, in order to meet the needs of the internal rotation of the Institute, Ming-Chuan Hsu and Kuo-Hua Wang were responsible for approval.

2. Financial Analysis within the Last 5 Years

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

A. Individual Financial Statements

Analysis Item \ Year			Financial Analysis within the Last 5 Years				
			2015	2016	2017	2018	2019
Financial Structure (%)	Liabilities to Assets Ratio		19.47	23.08	23.00	33.45	31.25
	Long-term Fund to Property, Plant, and Equipment Ratio		321.76	311.51	262.61	399.66	401.63
Liquidity (%)	Current Ratio		321.95	152.19	117.04	129.33	95.46
	Quick Ratio		247.47	118.74	77.99	101.06	63.38
	Interest Coverage Ratio		42.77	276.20	286.92	416.24	548.98
Operating Performance	Accounts Receivable Turnover (Times)		9.28	8.17	9.55	8.53	8.25
	Average Collection Days		39	45	38	43	44
	Inventory Turnover (Times)		5.08	7.02	7.01	9.15	6.94
	Accounts Payable Turnover (Times)		6.45	5.25	4.27	3.91	3.68
	Average days Sales		72	52	52	40	53
	Property, Plant, and Equipment (Times)		2.20	2.26	2.11	3.51	3.68
	Total Asset Turnover (Times)		0.54	0.59	0.60	0.78	0.67
Profit ability	Return on Assets (%)		10.02	16.26	17.859	27.67	21.28
	Return on Equity (%)		12.53	20.65	23.17	39.41	31.36
	Ratio of Pre-tax Income to Paid-in Capital	Operating Porfit	6.39	(4.62)	7.92	21.79	81.88
		Pre-tax Income	39.92	68.69	84.98	185.87	185.99
	Net Income Margin (%)		18.20	27.66	29.73	35.26	31.84
	Earnings per Share (NT$) (Note 1)		2.37	4.54	6.23	15.48	17.02
Cash Flow Cash Flow	Cash Flow Ratio (%)		27.72	54.22	39.84	43.83	53.52
	Cash Flow Adequacy Ratio(%)		32.35	45.65	41.99	63.05	65.08
	Cash Flow Investment Ratio (%)		0.23	7.92	5.24	12.35	9.58
Leverage	Operating Leverage		2.44	(1.34)	2.52	2.47	1.17
	Financial Leverage		1.18	0.95	1.04	1.02	1.00

Explain the reasons for the changes in the financial ratios in the last two years:

1. Interest coverage ratio: Mainly due to good profit in the current period.
2. Current ratio and quick ratio: Mainly due to the increase in contract liabilities.
3. Inventory turnover rate (times): The main reason is the growth of revenue in the current period, the raw materials are invested smoothly, and the finished products are shipped smoothly.
4. Operating profit as a percentage of paid-in capital: The main reason is that the revenue of the current period continues to grow and the profit is good.

Data source: The Financial Statements approved by the CPAs.

B. Consolidated Financial Analysis

Analysis Item \ Year			Financial Analysis within the Last 5 Years				
			2015	2016	2017	2018	2019
Financial Structure%	Liabilities to Assets Ratio		28.83	28.70	29.38	43.92	33.44
	Long-term Fund to Property, Plant, and Equipment Ratio		222.57	227.27	211.31	325.31	306.98
Liquidity (%)	Current Ratio		303.12	243.39	222.47	180.30	201.28
	Quick Ratio		245.91	192.76	180.48	142.01	157.92
	Interest Coverage Ratio		47.30	154.69	339.72	464.27	484.56
Operating Performance	Accounts Receivable Turnover (Times)		9.48	16.36	12.91	16.41	16.58
	Average Collection Days		38	22	28	22	22
	Inventory Turnover (Times)		4.59	4.98	5.45	5.18	4.64
	Accounts Payable Turnover (Times)		6.81	6.40	5.47	4.33	4.37
	Average days Sales		79	73	67	70	79
	Property, Plant, and Equipment Turnover(Times)		2.52	2.65	2.74	4.49	4.33
	Total Asset Turnover(Times)		0.73	0.88	0.93	1.07	0.91
Profitability	Return on Assets (%)		8.68	14.63	16.54	23.95	19.34
	Return on Equity (%)		12.17	22.86	23.25	39.35	31.41
	Ratio of Pre-tax Income to Paid-in Capital	Operating Porfit	41.12	82.54	101.07	198.52	184.11
		Pre-tax Income	44.30	84.17	102.34	215.05	201.08
	Net Income Margin (%)		11.68	16.51	17.70	22.32	21.30
	Earnings per Share(NT$) (Note 1)		2.37	4.54	6.23	15.48	17.02
Cash Flow	Cash Flow Ratio(%)		77.63	91.73	79.81	87.56	46.82
	Cash Flow Adequacy Ratio (%)		66.95	96.10	100.82	131.66	113.46
	Cash Flow Reinvestment Ratio(%)		18.18	23.87	22.17	48.46	9.04
Leverage	Operating Leverage		1.35	1.21	1.18	1.12	1.14
	Financial Leverage		1.02	1.01	1.00	1.00	1.00

Explain the reasons for the changes in the financial ratios in the last two years:

1. Liablilites to Assets Ratio: Mainly due to the increase in prepaid engineering equipment caused by the expansion of production capacity in this period
2. Current ratio, quick ratio and cash flow ratio: Mainly due to the decrease in contract liabbility in the current period.

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

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

Note 2: Formulas for the above tables：

1. Financial Structure
   (1) Liablilites to Assets Ratio ＝ Total Liabilities / Total Assets。
   (2) Long-term Fund to Property, Plant, and Equipment Ratio ＝ (Total Equity + Noncurrent Liabilities）/ Property, Plant, and Equipment
2. Liquidity Analysis
   (1) Curerent Ratio ＝ Current Assets / Current Liabilities。
   (2) Quick Ratio ＝ (Current Assets – Inventory - Prepaid Expenses) / Current Liabilities。
   (3) Interest Coverage Ratio ＝ Income before Interest and Taxes / Interest Expense
3. Operating Performance Analysis
   (1) Accounts Receivable Turnover (Times) ＝ Net Reveneue / Average Accounts Receivable
   (2) Average Collection Days ＝ 365 / Accounts Receivable Turnover (Times)。
   (3) Inventory Turnover (Times) ＝ Cost of Sales / Average Inventory
   (4) Accounts Payable Turnover ＝ Cost of Sales / Average Account Payable
   (5) Average Days Sales ＝ 365 / Inventory Turnover (Times)
   (6) Property, Plant, and Equipment Turnover(Times) ＝ Net Revenue / Average Net Property, Plant, and Equipment
   (7) Total Asset Turnover ＝ Net Revenue / Average Total Assets。
4. Profitability Analysis
   (1) Return on Assets ＝〔Net Income + Interext ×（1 - Tax Rate）〕/ Average Assets
   (2) Return on Equity ＝ Net Income / Average Equity
   (3) Net Income Margin ＝ Net Income / Net Revenue
   (4) Earnings per Share ＝ (Shareholder's Equity Attributable to Parent Compan - Preferred Stock Dividends) / Weighted Average Outstanding Shares (Note 4）
5. Cash Flow
   (1) Cash Flow Ratio ＝ Net Cash Flow From Operating Activities / Current Liabilities
   (2) Cash Flow Adequacy Ratio ＝ Net Cash Flow from Operating Activities for the past 5 years / (Captial Expenditure + Increases in Inventory + Cash Dividends for the past 5 years)
   (3) Cash Flow Reinvestment Ratio ＝ (Net Cash Flow from Operating Activities - Cash Dividends) / (Property, Plant, and Equipment + Long-term Investments + Current Assets + Working Captial)
6. Leverage
   (1) Operating Leverage ＝ (Net Revenue - Variable Operating Costs and Expneses) / Operating Porfit
   (2) Financial Leverage ＝ Operating Porfit / (Operating Porfit - Interest Expnese)

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

2019 Audit Committee's Review Report

The Board of Directors has prepared the Company's 2019 Financial Statements. The CPAs of PwC Taiwan, Ming-Chuan Hsu and Kuo-Hua Wang, were retained to audit TCI's Financial Statements. The Business Report, Financial Statements, and earning allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of TCI Co., Ltd. According to relevant requirements of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we herby submit this report.

To

2020 Annual Shareholders' Meeting of TCI Co., Ltd.

TCI Co., Ltd.

Chairman of the Audit Committee

April 30, 2020

4. Financial Statements of the most recent year: Please refer to pp. 129-209.

5. The consolidated financial statements of the parent and subsidiary audited by the CPA in the most recent year: Please refer to pp. 210-281.

6. Financial difficulties, if any, encountered by the Company and its affiliated companies in the most recent year and up to the publication of the annual report, and its impact on the Company's financial status: None.

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

1. Financial Conditions

(1) Consolidated Balnce Sheet Analysis

Unit：NT$1,000

Item / Year	2019	2018	Difference	
			Amount	%
Current Assets	6,300,355	7,227,635	-927,280	-13%
Financial Assets at Fair Value through Profit or Loss	25,848	25,848	0	0%
Available-for-sale Financial Assets	-	-	-	-
Property, Plant, and Equipment	2,488,439	1,925,376	563,063	29%
Intangible Assets	31,196	25,266	5,930	23%
Other Assets	1,982,780	1,082,615	900,165	83%
Total Assets	10,828,618	10,286,740	541,878	5%
Current Liabilities	3,130,132	4,008,630	-878,498	-22%
Long-Term Liabilities	431,389	494,446	-63,057	-13%
Other Liabilities	59,596	14,622	44,974	308%
Total Liabilities	3,621,117	4,517,698	-896,581	-20%
Paid-in Capital	1,196,172	1,026,076	170,096	17%
Capital Surplus	2,600,733	2,256,871	343,862	15%
Legal Reserve	396,403	216,913	179,490	83%
Special Reserve	168,346	120,366	47,980	40%
Retained Earnings	3,192,547	2,276,431	916,116	40%
Other Equity Interests	-421,126	-172,771	-248,355	144%
Shareholder’s Equity Attributable to Parent Company	7,133,075	5,723,886	1,409,189	25%
Total Equity	7,207,501	5,769,042	1,438,459	25%

Recently, the annual change has reached more than 20%, and the amount of change has reached NT$10 million or more:

(1) Real estate, plant and equipment: The continuous expansion of the production lines in this period.

(2) Other assets: Due to the increase in pre-paid new plant construction and equipment.

(3) Current liabilities: In the current period, the bargaining power of raw materials prices was strengthened and the purchased amount was controlled, so the accounts payable decreased; due to the improvement of employee benefits, personnel costs increased, so other payables increased. In response to the adjustment of local laws and regulations in China, Wechat e-commerce customers adjusted their organizations, resulting in a reduction in contract liabilities.

(4) Statutory surplus reserve, retained earnings and total shareholders' equity: due to the increase in net profit for the period.

(5) Special surplus reserve: The main reason is the calculation of the exchange difference calculated in the financial statements of foreign operating institutions in the previous year.

Future Response Plan: The above changes have no significant impact on the Company.

2. Financial Performance

(1) Analysis of Financial Status

Unit: NT$1,000

Item \ Year	2019	2018	Increased or Decreased Amount	Changed Ratio (%)
Operating Revenue	9,566,132	8,098,414	1,467,718	18%
Operating Costs	(5,550,645)	(4,581,462)	969,183	21%
Gross Profit	4,015,487	3,516,952	498,535	14%
Operating Expenses	1,813,170	1,480,029	333,141	23%
Operating Income	2,202,317	2,036,923	165,394	8%
Non-operating income	221,774	137,458	84,316	61%
Other Gains and Losses	(13,886)	36,919	(50,805)	(138%)
Financial Costs	(4,974)	(4,763)	(211)	4%
Non-Operating Income and Expenses	202,914	169,614	33,300	20%
Pre-tax Income	2,405,231	2,206,537	198,694	9%
Income Tax Expnesses	(367,265)	(399,158)	(31,893)	(8%)
Net Income	2,037,966	1,807,379	230,587	13%
Recently, the annual change has reached more than 20%, and the amount of change has reached NT$10 million or more: (1) Increase inoperating costs: Due to changes in the sales mix (2) Increase in operating expenses: Due to increased employee benefits (3) Increasing in non-operating income: Due to bank interest and government tax refund increase (4) Decrease in gains and losses: Due to lack of benefit from the sale of fixed assets in this period				

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

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

3. Cash Flow

(1) Liquidity Analysis within the last 2 years

Unit: NT$1,000

Item \ Year	2019	2018	Increased or Decreased Amount	Change (%)
Cash Inflow (Outflow) from Operating Activities	1,465,502	3,509,890	-2,044,388	-58%
Cash Inflow (Outflow) from Investmnet Activities	-1,423,551	-1,325,587	-97,964	7%
Cash Inflow (Outflow) from Financing Activities	-523,895	849,501	-1,373,396	-162%
Liquidity Analysis: (1) Net cash inflow from operating activities: Due to the decrease in inventory and contract liabilities in the current period and the increase in accounts payable, bills, and other payables (2) Net cash outflow from investment activities: Mainly due to the increase in prepaid projects and equipment during the period. (3) Net cash inflow from financing activities: Mainly due to the issuance of corporate bonds and the issuance of cash dividends in the current period.				

(2) Plans to Improve Negative Liquidity: None

(3) Porjected Consolidated cash for 2020

Cash Balance, Beginning of the Year	Forecast Net Cash Inflow from operational Activities	Forecast Net Cash Outflow from financial activities	Cash Balance, End of the Year	Forcast Cash Blance (Deficit)	Source of Funding for Negative Cash Balance	
					Investment Plan	Investment Plan
3,848,194	4,700,000	(2,500,000)	(1,750,000)	4,298,194	—	—
1. Analysis of changes in cash flow in the coming year: Business activity: Net cash inflow due to stable profit. Investment activities: mainly to purchase cash outflows from real estate, plant and equipment. Fundraising activities: mainly paying shareholders' cash dividends. 2. Remedial measures and liquidity analysis for estimated cash shortfalls: Not applicable.						

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

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

(1) Recent annual transfer policy

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

(2) The root causes for the profit/loss gained from the investment in the most recent year and the improvement plans

The Company's 2019 reinvestment income is NT$ 1,015,670, 000, which is mainly due to the stability of the Chinese market and the stable growth of overseas subsidiary sales.

(3) Investment plan for the next year: None.

6. Risk Analysis and Evaluation

(1) Interest rates, exchange rates, and inflaction, their impact on the Company’s profit or loss, and future countermeasures.

A. Effect of interest rate changes

The financial costs of the Company for 2018 and 2019 were RMB 4,763,000 and RMB 4,974, respectively, accounting for 0.23% and 0.23% of the net operating profit, respectively; the Company has maintained good relations with banks to obtain preferential interest rates and is always available. Observing changes in the financial market interest rate and adjusting the use of funds in a timely manner, the interest rate changes have not had a significant impact on the Company's profit and loss.

Unit：NT$ 1,000

Item	2018	2019
Financial Cost	4,763	4,974
Operating Porfit	2,036,923	2,202,317
Ratio between the Financial Cost and the Operating Profit	0.23%	0.23%

Data source: The 2019 Financial Statements approved by the CPAs.

B. Effect of currency exchange rates

The Company's 2018 and 2019 exchange (loss) gains were (9,879) and 2,374 thousand, respectively, accounting for (0.10%) and 0.03% of operating revenue. In addition to the sales expenses of the same currency, the Company supports the purchase expenses and then achieves the natural hedging function. For those holding more foreign currency, it adopts the safe-haven measures for buying and selling forward foreign exchange, and pays close attention to the information on exchange rate fluctuations. Real-time understanding of exchange rate trends, timely adjustment of foreign currency assets and liabilities based on the global economy, exchange rate prices and future capital needs, in order to mitigate the impact of exchange rate fluctuations on the Company's revenue and profit.

Unit: NT$1,000

Item	2018	2019
Net Exchange Loss/Profit	2,374	(9,879)
Operating Revenue	8,098,414	9,566,132
Ratio between the Net Exchange Loss/Profit and the Operating Revenue	0.03%	(0.10%)

Data source: The 2018 Financial Statements approved by the CPAs.

C. Effect of inflation

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

(2) Engage in the polices of high-rish, highly-leveraged investments, loaning of funds, endorsements and quarantees, and derivative transactions, the reasons for profit or loss resulted, and the future countermeasures.

A. The Company has not engaged in high-risk and highly leveraged investments based on the principle of conservative and sound.

B. The Company's procedures for engaging in loans and others are handled in accordance with the "Measures for the Management of Funds and Others" set by the Company. The Company has not been able to lend money to others in the most recent year and up to the date of the annual report.

C. The Company's procedures for endorsement guarantees for others are handled in accordance with the "Endorsement Guarantee Management Measures" set by the Company.

D. The Company is engaged in the use of forward foreign exchange and option transactions for derivative financial products. If other commodities are required, they must be approved by the Board of Directors before they can be traded. The Company has not engaged in derivative financial products in the most recent year and up to the date of publication of the annual report.

(3) Future R&D Plans and the Projected R&D Investment

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

(4) The impact of significant changes in doemestic and foreign policies and law on the Company's financial operations and the countermeasures

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

(5) The impact of significant changes in doemestic and foreign policies and law on the Company's financial operations and the countermeasures

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

(6) The impact of changes in corporate image on the crisis management of the Company and the countermeasures

Since the establishment of the Company, the Company adheres to the business tenet of stable and honest, actively strengthens internal management and maintains harmonious labor relations, in order to establish a good corporate image, and after planning to develop into the capital market, it can absorb more talents to enter the Company's services. With the strength of the management team, it will be quite positive for the Company's image. In the most recent year and up to the date of publication of the annual report, there is no such thing as affecting the corporate image of the Company.

(7) The expect benefit of initiating acquisition, the possible risks, and the countermeasures

The Company has not acquired the plan of the Company in the most recent year and the end of the annual report. In the future, if there is a plan for merger and acquisition, it will carefully evaluate and consider the merger effect to ensure the interests of the original shareholders.

(8) The expected benefits of a plan expansion, the possible, and the countermeasures

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

(9) Risks faced by the centralized purchase or sales and the countermeasures

A. Risks faced by the centralized purchase and the countermeasures

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

B. Risks faced by the centralized sales and the countermeasures

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

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

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

(12) Litigation and non-litigation events

A. For litigation or non-litigation events, the closed or in-pending material litigation, non-litigation, or administrative contentious events in the most recent year and up to the publication of the annual report, which may have a significant impact on the shareholder's equity or security price, of the Company, the Company's directors, supervisors, President, responsible person, shareholders holding more than 10% shareholding, and the subsidiaries should be illustrated：None.

B. The Company's directors, supervisors, general managers, substantive principals, major shareholders and subordinate companies with a shareholding ratio of more than 10%, and the most recent major lawsuits that have been determined or are still in the system, In the case of a non-litigation or administrative dispute, the result may have a significant impact on the shareholders' equity or the price of the securities. The facts of the dispute, the amount of the subject matter, the commencement date of the lawsuit, the parties involved in the proceedings and the date of publication of the annual report shall be disclosed: None.

(13) Other Important Risks and Countermeasures：

Information Security Risk Management (ISRI):

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

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

The Company adopts the best security technology for customer privacy and trade secret protection. Dajiang strictly abides by the client contract content and confidentiality commitments. The information, documents and materials related to customers and with trade secrets are uploaded to the authority control mechanism. The internal system is strictly regulated, and the account registration system must be used. The application can be accessed through the application and the documents are approved by the central department supervisor to enhance the confidentiality of customer information. In terms of trading behavior, all data transmission is based on the protection of 128-bit key encryption to ensure that the transaction information of both parties has no external doubts. In 2018, Dajiang did not violate any customer privacy or litigation records.

7. Other Important Items：None.

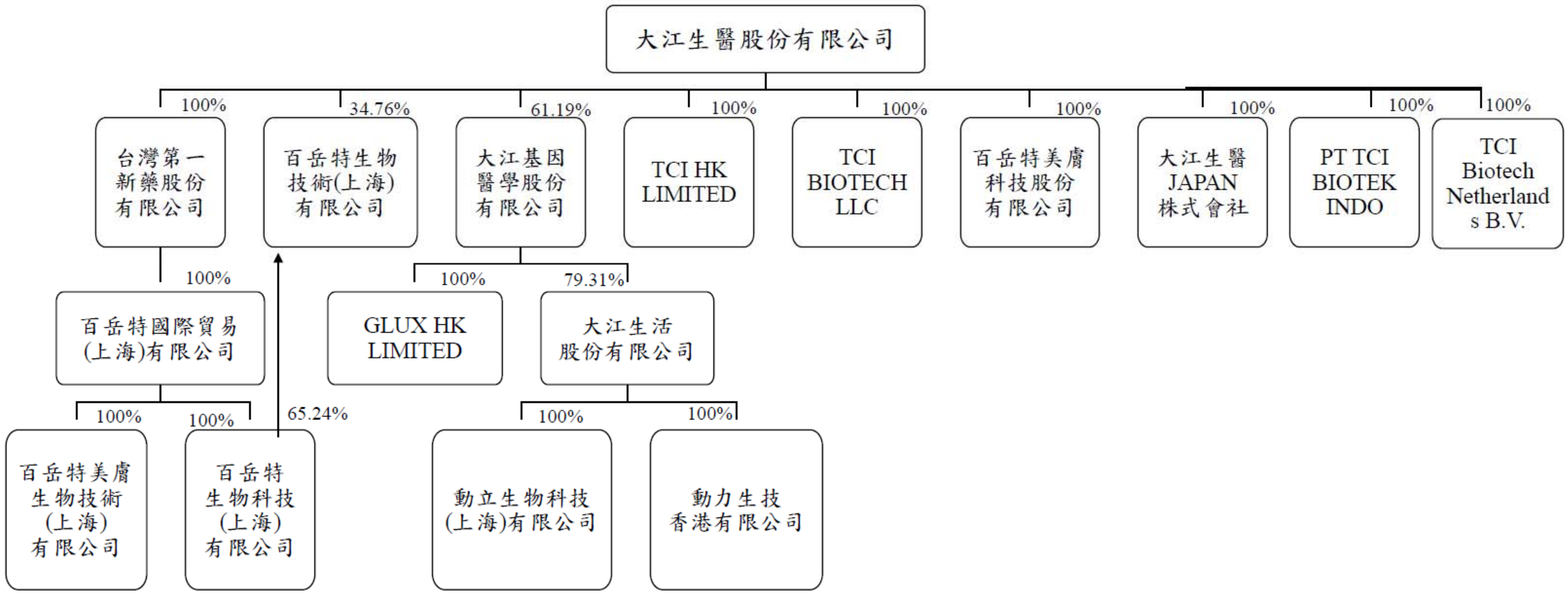
VIII. Annotations

1. Information of the Company's Affiliates

(1) Overview

A. Organizational Chart

March 31, 2020



B. Affiliates' Profile

December 31, 2019
Unit: NT$ / RMB / US$ / HK$

Name	Date of Establishment	Paid-in Capital	Business Scope
TCI Firstek Corp.	2004/11/9	NT$1,831,066,000	Wholesale and retail of health food and beauty products
BioTrade, Shanghai BioTech Group	2005/9/20	US$510,000	Wholesale of health food, cosmetics and chemical products; entrusted processing business of cosmetics
BioScience, Shanghai BioTech Group	2011/9/1	RMB 6,000,000	Wholesale of health food, cosmetics and chemical products; entrusted processing business of cosmetics
Shanghai BioCosme Co., Ltd.	2012/12/12	RMB 33,000,000	Cosmetics manufacturing
BioCosme, Shanghai BioTech Group	2018/7/31	NT$5,000,000	Health food and beauty care trade
TCI Gene Inc.	2011/7/13	NT$105,000,000	Biotechnology and genetic research and development
GLUX HK LIMITED	2013/1/15	US$1,000,000	Health food and beauty care trade
TCI Living Co., Ltd.	2014/11/3	NT$34,800,000	Health food and beauty care trade
SBI GROUP HK LIMITED	2016/1/18	HK$1,400,000	Health food and beauty care trade
BIO DYNAMIC LABORATORIES INC.	2010/4/6	RMB 6,616,000 (Note 2)	Health food and beauty care trade
BioFunction, Shanghai BioTech Group	2012/5/22	RMB 256,447,000	Manufacturing of functional drinks
TCI HK LIMITED	2013/1/15	RMB 10,000,000	Biotechnology and genetic research and development
TCI BIOTECH LLC	2017/9/26	US$700,000	Health food and beauty care trade
PT TCI BIOTEK INDO	2018/9/13	US$300,000	Health food and beauty care trade
BioGene Sanghai BioTech Group	2019/1/10	RMB 10,000,000	Biotechnology and genetic research and development
TCI JAPAN CO., LTD	2018/11/6	JPY 55,000,000	Health food and beauty care trade
TCI Biotech Netherlands B.V.	2019/11/22	(Note 1)	Health food and beauty care trade

Note 1: As of December 31, 2019, no capital has been invested.

Note 2: BIO DYNAMIC INC has been liquidated on November 2, 2019, but the registration has not yet been completed.

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

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

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

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

December 31, 2019

Name	Title	Person or Representative	Shareholding	
			Share	%
TCI Firstek Corp.	Chairman and General Manager	Yung-Hsiang Lin	0	0.00%
	Director	Yi-Chun Liu	0	0.00%
	Director	Hsiu-Wei Lin	0	0.00%
	Supervisor	Cheng-Hsien Chiang	0	0.00%
BioTrade, Shanghai BioTech Group	Chairman	Yung-Hsiang Lin	0	0.00%
	Director	Yung-Hao Lin	0	0.00%
	Director	Chih-Cheng Tsai	0	0.00%
BioScience, Shanghai BioTech Group	Executive Director and General Manager	Yung-Hsiang Lin	0	0.00%
	Supervisor	Yi-Chun Liu	0	0.00%
Shanghai BioCosme Co., Ltd.	Executive Director	Yung-Hao Lin	0	0.00%
	Supervisor	Yi-Chun Liu	0	0.00%
BioGene, Shanghai BioTech Group	Executive Director	Yung-Hsiang Lin	0	0.00%
	Supervisor	Yi-Chun Liu	0	0.00%
TCI Gene Inc.	Chairman and General Manager	Yung-Hsiang Lin	500,000	4.76%
	Director	Yung-Hao Lin	0	0.00%
	Director	Shu-ching Wang	0	0.00%
	Supervisor	Cheng-Hsien Chiang	0	0.00%
BioFunction, Shanghai BioTech Group	Chairman	Yung-Hsiang Lin	0	0.00%
	Director	Yung-Hao Lin	0	0.00%
	Director	Chih-Cheng Tsai	0	0.00%
	Supervisor	Yi-Chun Liu	0	0.00%
BioCosme, Shanghai BioTech Group	Chairman and General Manager	Yung-Hsiang Lin	0	0.00%
	Director	Yung-Hao Lin	0	0.00%
	Director	Chih-Cheng Tsai	0	0.00%
	Supervisor	Yi-Chun Liu	0	0.00%

Name	Title	Person or Representative	Shareholding	
			Share	%
TCI Living Co., Ltd.	Chairman	Yung-Hsiang Lin	0	0.00%
	Director	Jui-han Chang	0	0.00%
	Director	Chen-chen Fu	0	0.00%
	Supervisor	Cheng-Hsien Chiang	0	0.00%
BIO DYNAMIC LABORATORIES INC.	Director	Wei-chun Chen	0	0.00%
	Supervisor	Kuang-chih Liu	0	0.00%
GLUX HK LIMITED	Director	Yung-Hsiang Lin	0	0.00%
TCI HK LIMITED	Director	Yung-Hsiang Lin	0	0.00%
PT TCI BIOTEK INDO	Director	Cheng-Hsien Chiang	0	0.00%
TCI JAPAN CO., LTD	Director	Yung-Hsiang Lin	0	0.00%
TCI Biotech Netherlands B.V.	Director	Yung-Hsiang Lin	0	0.00%

F. Affiliated Company's Operating Results

December 31, 2019

Unit: NT$ 1,000 US$1,000 / RMB 1,000

Name	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit	Profit and loss for the period (after tax)	Earnings per share (after tax)
TCI Firstek Corp.	1,831,067	2,898,145	21,084	2,877,061	2,895	(3,725)	613,225	0.03
BioTrade, Shanghai BioTech Group	15,290	3,399,723	506,428	2,893,295	1,533,501	21,193	616,951	Note 2
BioScience, Shanghai BioTech Group	25,830	2,774,891	88,769	1,487,488	168,305	(78,337)	563,360	Note 2
Shanghai BioCosme Co., Ltd.	142,065	187,727,562	40,239,580	147,487,982	278,748	25,023	28,761	Note 2
TCI Gene Inc.	105,000	201,975	29,802	172,173	132,811	60,117	56,654	
BioFunction, Shanghai BioTech Group	1,373,216	4,038,145	720,636	3,317,509	6,159,873	1,024,191	977,079	Note 2
TCI HKLIMITED	21,046	19,859	6,116	13,743	—	(81)	(33)	Note 2
GLUX HK LIMITED	29,542	1,340	1,440	(100)	—	(3,183)	(3,206)	Note 2
TCI BIOTECH LLC	8,778	81,291	77,714	3,577	163,335	(4,307)	(4,583)	Note 2
BioCosme, Shanghai BioTech Group	5,000	5,006		5,006			6	
BioGene, Shanghai BioTech Group	43,050	43,499	71	43,429	86	(8)	393	Note 2
TCI JAPAN CO., LTD	15,626	135,573	114,484	21,089	390,901	6,129	6,076	Note 2
PT TCI BIOTEK INDO	註1	99	9	90	93	90	90	Note 2

Name	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit	Profit and loss for the period (after tax)	Earnings per share (after tax)
TCI Biotech Netherlands B.V.	註1	—	—	—	—	—	—	Note 2
TCI Living Co., Ltd.	34,800	65,528	28,762	36,766	62,843	2,069	2,168	
SBI Group HK Limited	5,847	5,082	1,066	4,016	51	2	4	Note 2
BIO DYNAMIC LABORATORIES INC.	28,482	2,779	—	2,779	670	(1,717)	(1,762)	Note 2

Note 1: As of December 31, 2019, no capital has been invested.

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

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

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

(4) Affiliation reports: not applicable

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

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

4. Other necessary supplementary notes：None.

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

Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of TCI CO., LTD. (the "Consolidated FS of the Affiliates"), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2019 in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those required to be included in the Consolidated Financial Statements of TCI CO., LTD. and its subsidiaries (the "Consolidated FS of the Group") in accordance with International Financial Reporting Standard 10. Additionally, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, TCI CO., LTD. does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,
TCI CO., LTD.
By

LIN, YUNG-HSIANG, Chairman
March 3, 2020

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of TCI CO., LTD. and subsidiaries (the "Group") as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Existence and occurrence of top ten customers

Description

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

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

Please refer to Note 4(29) for accounting policies on revenue recognition and Note 6(19) for details of sales revenue.

How our audit addressed the matter

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

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

Allowance for inventory valuation losses

Description

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

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

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

How our audit addressed the matter

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

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

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of TCI CO., LTD. as at and for the years ended December 31, 2019 and 2018.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of

not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Hsu, Ming-Chuan Wang, Kuo-Hua

For and on behalf of PricewaterhouseCoopers, Taiwan

March 3, 2020

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

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

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 3,848,194	36	$ 4,417,545	43
1136	Current financial assets at amortised cost	6(1)	433,490	4	648,440	6
1150	Notes receivable, net	6(3)	5,840	-	24,916	-
1170	Accounts receivable, net	6(3)	601,553	6	520,049	5
1180	Accounts receivable - related parties	7	1,610	-	-	-
1200	Other receivables		18,500	-	38,282	-
1220	Current income tax assets	6(25)	3,807	-	-	-
130X	Inventories	6(4)	1,084,323	10	1,308,995	13
1410	Prepayments		273,066	2	225,832	2
1470	Other current assets		29,972	-	43,576	1
11XX	**Total current assets**		6,300,355	58	7,227,635	70
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	25,848	-	25,848	-
1600	Property, plant and equipment	6(5)	2,488,439	23	1,925,376	19
1755	Right-of-use assets	6(6)	110,857	1	-	-
1780	Intangible assets	6(7)	31,196	-	25,266	-
1840	Deferred income tax assets	6(25)	34,199	1	51,187	1
1900	Other non-current assets	6(8)	1,837,724	17	1,031,428	10
15XX	**Total non-current assets**		4,528,263	42	3,059,105	30
1XXX	**Total assets**		$ 10,828,618	100	$ 10,286,740	100

(Continued)

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(9)	$ 200,000	2	$ 12,000	-
2120	Financial liabilities at fair value through profit or loss - current	6(10)	-	-	85	-
2130	Current contract liabilities	6(19)	579,789	5	1,229,641	12
2150	Notes payable		3,115	-	253,201	2
2170	Accounts payable		920,869	9	1,335,590	13
2180	Accounts payable - related parties	7	29,278	-	-	-
2200	Other payables	6(11)	1,083,081	10	823,154	8
2230	Current income tax liabilities	6(25)	238,430	2	294,096	3
2280	Current lease liabilities	6(6)	38,499	1	-	-
2399	Other current liabilities, others		37,071	-	60,863	1
21XX	**Total current liabilities**		3,130,132	29	4,008,630	39
	Non-current liabilities					
2530	Corporate bonds payable	6(12)	431,389	4	494,446	5
2570	Deferred income tax liabilities	6(25)	3,030	-	2,940	-
2580	Non-current lease liabilities	6(6)	44,888	-	-	-
2600	Other non-current liabilities		11,678	-	11,682	-
25XX	**Total non-current liabilities**		490,985	4	509,068	5
2XXX	**Total liabilities**		3,621,117	33	4,517,698	44
	Equity attributable to owners of parent					
	Share capital	6(15)				
3110	Share capital - common stock		1,196,172	11	1,022,321	10
3140	Advance receipts for share capital		-	-	3,755	-
	Capital surplus	6(16)				
3200	Capital surplus	4(24)	2,600,733	24	2,256,871	22
	Retained earnings	6(17)				
3310	Legal reserve		396,403	4	216,913	2
3320	Special reserve		168,346	2	120,366	1
3350	Unappropriated retained earnings		3,192,547	29	2,276,431	22
	Other equity interest	6(18)				
3400	Other equity interest	4(24)	(421,126)	(4)	(172,771)	(1)
31XX	**Equity attributable to owners of the parent**		7,133,075	66	5,723,886	56
36XX	**Non-controlling interest**		74,426	1	45,156	-
3XXX	**Total equity**		7,207,501	67	5,769,042	56
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant subsequent events	11				
3X2X	**Total liabilities and equity**		$ 10,828,618	100	$ 10,286,740	100

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

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

			Year ended December 31			
			2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(19) and 7	$ 9,566,132	100	$ 8,098,414	100
5000	**Operating costs**	6(4)(13)(23)(24)	(5,550,645)	(58)	(4,581,462)	(56)
5900	**Net operating margin**		4,015,487	42	3,516,952	44
	Operating expenses	6(13)(23)(24)				
6100	Selling expenses		(606,357)	(7)	(508,824)	(6)
6200	General and administrative expenses		(693,796)	(7)	(493,294)	(6)
6300	Research and development expenses		(510,846)	(5)	(438,046)	(5)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9		(2,171)	-	(39,865)	(1)
6000	**Total operating expenses**		(1,813,170)	(19)	(1,480,029)	(18)
6900	**Operating profit**		2,202,317	23	2,036,923	26
	Non-operating income and expenses					
7010	Other income	6(20)	221,774	2	137,458	2
7020	Other gains and losses	6(21)	(13,886)	-	36,919	-
7050	Finance costs	6(22)	(4,974)	-	(4,763)	-
7000	**Total non-operating income and expenses**		202,914	2	169,614	2
7900	**Profit before income tax**		2,405,231	25	2,206,537	28
7950	Income tax expense	6(25)	(367,265)	(4)	(399,158)	(5)
8200	**Profit for the year**		$ 2,037,966	21	$ 1,807,379	23
	Other comprehensive income					
	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(2)(18)	$ -	-	($ 631)	-
	Other comprehensive loss					
8361	Financial statements translation differences of foreign operations	6(18)	(157,509)	(1)	(64,027)	(1)
8300	**Total other comprehensive loss for the year**		($ 157,509)	(1)	($ 64,658)	(1)
8500	**Total comprehensive income for the year**		$ 1,880,457	20	$ 1,742,721	22
	Profit attributable to:					
8610	Owners of the parent		$ 2,016,129	21	$ 1,794,899	23
8620	Non-controlling interest		21,837	-	12,480	-
			$ 2,037,966	21	$ 1,807,379	23
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 1,858,766	20	$ 1,729,759	22
8720	Non-controlling interest		21,691	-	12,962	-
			$ 1,880,457	20	$ 1,742,721	22
	Basic earnings per share (In dollars)	6(26)				
9750	**Basic earnings per share**		$ 17.02		$ 15.48	
9850	**Diluted earnings per share**		$ 16.63		$ 15.13	

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

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

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

(Continued)

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent												
		Share capital			Retained earnings			Other equity interest						
	Notes	Share capital - common stock	Advance receipts for share capital	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Other equity - others	Total	Non-controlling interest	Total equity
For the year ended December 31, 2019														
Balance at January 1, 2019		$ 1,022,321	$ 3,755	$ 2,256,871	$ 216,913	$ 120,366	$ 2,276,431	($ 156,770)	($ 11,576)	$ -	($ 4,425)	$ 5,723,886	$ 45,156	$ 5,769,042
Profit for the year		-	-	-	-	-	2,016,129	-	-	-	-	2,016,129	21,837	2,037,966
Other comprehensive loss for the year	6(18)	-	-	-	-	-	-	(157,363)	-	-	-	(157,363)	(146)	(157,509)
Total comprehensive income (loss)		-	-	-	-	-	2,016,129	(157,363)	-	-	-	1,858,766	21,691	1,880,457
Appropriations of 2018 earnings														
Legal reserve		-	-	-	179,490	-	(179,490)	-	-	-	-	-	-	-
Special reserve		-	-	-	-	47,980	(47,980)	-	-	-	-	-	-	-
Stock dividends		153,911	-	-	-	-	(153,911)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	(718,253)	-	-	-	-	(718,253)	-	(718,253)
Exercise of employee stock purchase plans	6(15)(16)	5,890	(420)	31,180	-	-	-	-	-	-	-	36,650	-	36,650
Conversion of convertible bonds into shares	6(12)(15)	5,180	(3,335)	64,207	-	-	-	-	-	-	-	66,052	-	66,052
Share-based payments	6(15)(18)(24)	8,870	-	248,475	-	-	-	-	-	-	(90,992)	166,353	-	166,353
Adjustment not proportionately to shareholding ratio	6(27)	-	-	-	-	-	(379)	-	-	-	-	(379)	379	-
Increase in non-controlling interests	6(27)	-	-	-	-	-	-	-	-	-	-	-	7,200	7,200
Balance at December 31, 2019		$ 1,196,172	$ -	$ 2,600,733	$ 396,403	$ 168,346	$ 3,192,547	($ 314,133)	($ 11,576)	$ -	($95,417)	$ 7,133,075	$ 74,426	$ 7,207,501

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

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 2,405,231	$ 2,206,537
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12(2)	2,171	39,865
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	6(10)(21)	(125)	386
Loss (gain) on disposal of property, plant and equipment	6(21)	3,657	(41,982)
Impairment loss of intangile assets	6(6)(21)	-	6,440
Depreciation	6(5)(6)(23)	255,118	160,828
Amortisation	6(7)(23)	14,223	13,699
Long-term prepayment charged to expenses	6(8)	-	714
Interest income	6(20)	(59,772)	(26,751)
Dividend income	6(20)	(242)	-
Interest expense	6(22)	4,974	4,763
Compensation cost arising from employee stock options	6(14)	157,483	86,250
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		19,076	(19,767)
Accounts receivable		(78,833)	(116,837)
Accounts receivable - related parties		(1,610)	6,603
Other receivables		19,586	(20,254)
Other receivables - related parties		-	1,162
Inventories		203,496	(845,864)
Prepayments		(47,234)	(150,780)
Other current assets		13,657	(40,261)
Changes in operating liabilities			
Contract liabilities - current		(649,852)	1,229,641
Notes payable		(250,086)	250,519
Accounts payable		(417,504)	802,722
Accounts payable - related parties		29,278	(1,402)
Other payables		213,683	384,236
Other payables - related parties		-	(345)
Other current liabilities		(23,792)	(195,932)
Cash inflow generated from operations		1,812,583	3,734,190
Interest received		59,968	26,509
Dividends received		242	-
Interest paid		(441)	(1,598)
Income tax paid		(406,850)	(249,211)
Net cash flows from operating activities		1,465,502	3,509,890

(Continued)

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of non-current financial assets at fair value through other comprehensive income		$ -	($ 24,280)
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	6(2)	-	2,054
Acquisition of property, plant and equipment	6(29)	(273,429)	(11,861)
Proceeds from disposal of property, plant and equipment		3,446	107,563
Increase in refundable deposits	6(8)	(7,211)	(12,999)
Acquisition of intangible assets		(15,563)	(11,539)
Acquisition of subsidiary company	6(27)	-	7,459
Net cash flows from business combination	6(27)	498	-
Decrease (increase) in other non-current assets		5,779	(6,795)
Decrease (increase) in financial assets at amortised cost		214,950	(213,926)
Increase in prepayments for purchase of equipment		(1,352,021)	(1,161,263)
Net cash flows used in investing activities		(1,423,551)	(1,325,587)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		650,000	-
Payment of short-term borrowings		(462,000)	(20,000)
Redemption of long-term borrowings		-	(139,044)
Decrease in guarantee deposits		(4)	(240)
Employee stock options		36,650	43,716
Repayments of principal portion of lease liabilities	6(6)	(39,158)	-
Proceeds from issuance of convertible bonds, net	6(12)	-	1,200,000
Cash dividends paid		(718,253)	(234,931)
Proceeds from issuance of restricted stock	6(14)	8,870	-
Net cash flows (used in) from financing activities		(523,895)	849,501
Effects due to changes in exchange rate		(87,407)	(15,614)
Net (decrease) increase in cash and cash equivalents		(569,351)	3,018,190
Cash and cash equivalents at beginning of year	6(1)	4,417,545	1,399,355
Cash and cash equivalents at end of year	6(1)	$ 3,848,194	$ 4,417,545

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

TCI CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 3, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

A. IFRS 16, ‘Leases’

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

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

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

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

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

iii. The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $49,445 was recognised in 2019.

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

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

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

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

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

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

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

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

C. Annual improvements to IFRSs 2015-2017 cycle

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

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

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

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

(3) <u>IFRSs issued by IASB but not yet endorsed by the FSC</u>

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. <u>SUMMARY OF SIGNIFICANTACCOUNTING POLICIES</u>

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

(1) <u>Compliance statement</u>

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

(2) <u>Basis of preparation</u>

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

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

(b) Financial assets and liabilities at fair value through other comprehensive income.

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Description
TCI CO., LTD.	TCI FIRSTEK CORP.	Wholesale and retail of health foods and cosmetics	100	100	Note 1
TCI CO., LTD.	GENE & NEXT INC.	Research and development of biotechnology and genetics	61.19	61.19	Note 1
TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	Producing health foods	34.76	64.26	Note 1
TCI CO., LTD.	TCI HK LIMITED	Trading health foods and cosmetics	100	100	Note 1
TCI FIRSTEK CORP.	SHANGHAI BIOTRADE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	100	100	Note 2
GENE & NEXT INC.	GLUX HK LIMITED	Trading health foods and cosmetics	100	100	Note 2
SHANGHAI BIOTRADE CO., LTD.	SHANGHAI BIOSCIENCE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	100	100	Note 3
SHANGHAI BIOTRADE CO., LTD.	SHANGHAI BIOCOSME CO., LTD.	Producing cosmetics	100	100	Note 3

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Description
SHANGHAI BIOSCIENCE CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	Producing health foods	65.24	35.74	Note 1
TCI CO., LTD.	TCI BIOTECH LLC	Trading health foods and cosmetics	100	100	Note 1
TCI CO., LTD.	BIOCOSME CO., LTD.	Trading health foods and cosmetics	100	100	Note 1 Note 4
GENE & NEXT INC.	TCI LIVING CO., LTD.	Trading health foods and cosmetics	79.31	100	Note 2 Note 5 Note 9
TCI LIVING CO., LTD.	BIO DYNAMIC LABORATORIES INC.	Trading health foods and cosmetics	100	100	Note 3 Note 6 Note 10
TCI LIVING CO., LTD.	SBI GROUP HK LIMITED	Trading health foods and cosmetics	100	100	Note 3 Note 6
TCI CO., LTD.	TCI JAPAN CO., LTD.	Trading health foods and cosmetics	100	100	Note 1 Note 7
TCI CO., LTD.	PT TCI BIOTEK INDO	Trading health foods and cosmetics	100	100	Note 1 Note 11
SHANGHAI BIOSCIENCE CO., LTD.	SHANGHAI BIOTECH GENE TECHNOLOGY CO., LTD.	Research and development of biotechnology and genetics	100	-	Note 3
TCI CO., LTD.	TCI BIOTECH NETHERLANDS B.V.	Trading health foods and cosmetics	100	-	Note 1 Note 8 Note 11

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

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

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

Note 4: The Board of Directors during its meeting on May 2, 2018 resolved to invest and set up BIOCOSME CO., LTD. and was established on July 31, 2018.

Note 5: The Board of Directors of the Group’s subsidiary, GENE & NEXT INC., during its meeting on May 24, 2018 resolved the share transfer transaction with SBI CO., LTD. with August 30, 2018 as the effective date. Also, SBI CO., LTD. was renamed to TCI LIVING CO., LTD. on September 17, 2018.

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

Note 7: The Board of Directors during its meeting on October 8, 2018 resolved to set up TCI JAPAN CO., LTD., and was established on November 6, 2018.

Note 8: The Board of Directors during its meeting on October 30, 2019 resolved to set up TCI BIOTECH NETHERLANDS B.V. and was established on November 22, 2019.

Note 9: The Board of Directors of the Group’s second-tier subsidiary, TCI LIVING CO., LTD., during its meeting on June 26, 2019 resolved to merge with AQUAGEN CO., LTD. TCI LIVING CO., LTD. merged with AQUAGEN CO., LTD. by issuing new shares, and the effective date for the merger was December 1, 2019.

Note 10: BIO DYNAMIC LABORATORIES INC. was in the process of liquidation on November 2, 2019. However, the registration has not yet been completed.

Note 11: There was no capital injection as of December 31, 2019.

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

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

E. Significant restrictions:

Cash and short-term deposits of $2,522,557 deposited in mainland China are under local foreign exchange control which restricts the capital to be remitted outside the borders (except for normal dividend distribution).

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

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

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

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

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

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

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

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

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

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

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

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

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

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

(9) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

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

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

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

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

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

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

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

(13) Inventories

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

(14) Property, plant and equipment

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

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

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

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

(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 Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

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

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

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

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

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

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

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

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

(16) Operating leases (lessee)

Prior to 2019, payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Intangible assets

A. Trademarks and royalties

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

B. Computer software

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

C. Goodwill

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

(18) Impairment of non-financial assets

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

(19) Borrowings

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

(20) Notes and accounts payable

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

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

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

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

(a) Hybrid (combined) contracts; or

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

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

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

(22) Convertible bonds payable

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

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

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

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

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

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

(23) Derecognition of financial liabilities

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

(24) Offsetting financial instruments

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

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Termination benefits

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

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

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

(26) Employee share-based payment

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

Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

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

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

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

(27) Income tax

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

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

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

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

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

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

(28) Share capital

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.

(29) Dividends

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

(30) Revenue recognition

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

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

(31) Government grants

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

(32) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2019, the carrying amount of inventories was $1,084,323.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	$ 2,279	$ 2,583
Checking accounts and demand deposits	2,207,918	2,509,360
Time deposits	2,071,487	2,554,042
	4,281,684	5,065,985
Less: shown as 'current financial assets at amortised cost'	(433,490)	(648,440)
	$	$ 4,417,545

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

B. As of December 31, 2019 and 2018, the Group recognised time deposits with maturity over 3 months of $433,490 and $648,440, respectively, and shown as 'current financial assets at amortised cost'.

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

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

Items	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments		
Listed stocks	$ 12,604	$ 12,604
Unlisted stocks	24,820	24,820
	37,424	37,424
Valuation adjustment	(11,576)	(11,576)
	$ 25,848	$ 25,848

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $25,848 and $25,848 as at December 31, 2019 and 2018, respectively.

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

C. As of December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group amounted to $25,848 and $25,848, respectively.

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

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

(3) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$	$ 24,916
Less: Allowance for uncollectible accounts	-	-
	$ 5,840	$ 24,916
Accounts receivable	657,270	$ 576,601
Less: Allowance for uncollectible accounts	(55,717)	(56,552)
	$	$ 520,049

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

	December 31, 2019	December 31, 2018
Not past due	$ 414,171	$ 447,762
Up to 30 days	100,158	62,127
31 to 90 days	74,384	19,627
Over 90 days	18,680	15,449
	$ 607,393	$ 544,965

The above ageing analysis was based on past due date.

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

C. As of December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes and accounts receivable amounted to $5,840 and $24,916; $601,553 and $520,049, respectively.

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

(4) Inventories

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

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

A. The cost of inventories recognised as expense for the years ended December 31, 2019 and 2018, was $5,550,645 and $4,581,462, respectively, including the amounts of ($35,473) and $36,126, respectively, the Group wrote down from cost to net realisable value accounted for as cost of goods sold.

B. The Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold as these inventories which had been written down from cost to its net realisable value were subsequently sold for the year ended December 31, 2019.

(5) Property, plant and equipment

	Land	Buildings and structures	Machinery	Office equipment	Others	Total
At January 1, 2019						
Cost	$ 159,301	$ 1,118,919	$ 686,909	$ 204,716	$ 261,442	$ 2,431,287
Accumulated depreciation	-	(102,062)	(208,304)	(58,559)	(136,986)	(505,911)
	$ 159,301	$ 1,016,857	$ 478,605	$ 146,157	$ 124,456	$ 1,925,376
2019						
At January 1	$ 159,301	$ 1,016,857	$ 478,605	$ 146,157	$ 124,456	$ 1,925,376
Additions	201,305	45,275	57,424	3,479	12,235	319,718
Disposals	-	(170)	(6,179)	(218)	(536)	(7,103)
Reclassifications	139,043	15,336	256,412	10,764	55,779	477,334
Depreciation charge	-	(40,338)	(110,185)	(20,803)	(43,974)	(215,300)
Net exchange differences	-	(7,441)	(3,292)	(68)	(785)	(11,586)
At December 31,	$ 499,649	$ 1,029,519	$ 672,785	$ 139,311	$ 147,175	$ 2,488,439
At December 31, 2019						
Cost	$ 499,649	$ 1,170,229	$ 986,525	$ 217,590	$ 321,390	$ 3,195,383
Accumulated depreciation	-	(140,710)	(313,740)	(78,279)	(174,215)	(706,944)
	$ 499,649	$ 1,029,519	$ 672,785	$ 139,311	$ 147,175	$ 2,488,439

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

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

(6) Leasing arrangements-lessee

Effective 2019

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

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

	December 31, 2019	
	Carrying amount	
Land	$	28,928
Buildings		80,237
Transportation equipment (Business vehicles)		1,692
	$	110,857

	Year ended December 31, 2019	
	Depreciation charge	
Land	$	700
Buildings		37,879
Transportation equipment (Business vehicles)		1,239
	$	39,818

C. In March 2013, the Group signed a land use right contract with Shanghai Municipal Planning, Land and Resources Administration for use of the land in Jinshan District, Shanghai City with a term of 50 years. All rentals had been paid on the contract date.

D. For the year ended December 31, 2019, the additions to right-of-use assets amounted to $21,244.

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

	Year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$
Expense on short-term lease contracts	$
Expense on leases of low-value assets	$

F. For the year ended December 31, 2019, the Group's total cash outflow for leases amounted to $104,972.

(7) Intangible assets

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

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

	Years ended December 31,	
	2019	2018
Overhead	$ 32	$ 94
Selling expenses	2,321	86
Administrative expenses	11,423	13,106
Research and development expenses	447	413
	$ 14,223	$ 13,699

(8) Other non-current assets

	December 31, 2019	December 31, 2018
Prepayments for construction business facilities	$ 1,796,961	$ 961,348
Guarantee deposits paid	34,491	27,280
Pledged deposit	500	500
Land use right	-	30,750
Other non-current assets	5,772	11,550
	$ 1,837,724	$ 1,031,428

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

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

(9) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 200,000	1.07%	None

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

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

Items	December 31, 2019	December 31, 2018
Current items:		
Call and put options of corporate bonds	($ 261)	($ 301)
Valuation adjustment	261	386
	$ -	$ 85

Amounts recognised in net gain (loss) in relation to financial (assets) liabilities at fair value through profit or loss are $125 and ($386) for the years ended December 31, 2019 and 2018, respectively.

(11) Other payables

	December 31, 2019	December 31, 2018
Salaries and bonuses payable	$ 502,073	$ 359,012
Employee bonus payable	275,580	212,468
Payable on machinery and equipment	110,423	64,134
Tax payables	44,396	12,469
Other payables	150,609	175,071
	$ 1	$ 823,154

(12) Bonds payable

	December 31, 2019	December 31, 2018
Bonds payable	$ 435,400	$ 502,500
Less: Discount on bonds payable	(4,011)	(8,054)
	431,389	494,446
Less: Current portion or exercise of put options	-	-
	$	$ 494,446

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) As of December 31, 2019, the bonds totaling $67,100 (face value) had been converted into 184 thousand shares of common stock and all the registration procedures have been completed.

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

(13) Pensions

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

B. The Group's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2019 and 2018, were all 20%. Other than the monthly contributions, the Group has no further obligations.

C. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018 were $46,500 and $36,190, respectively.

(14) Share-based payment

A. For the years ended December 31, 2019 and 2018, the Group's share-based payment arrangements were as follows:

Type of arrangement	Issue	Quantity granted	Contract period	Vesting conditions
Employee stock options	2016.07.01	2,000	6 years	Employees with 2 service years are entitled to 30% Employees with 3 service years are entitled to 60% Employees with 4 service years are entitled to 100%
Restricted stocks to employees	2016.07.20	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%

Type of arrangement	Issue	Quantity granted	Contract period	Vesting conditions
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,			
	2019		2018	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	1,318	$ 100	2,000	$ 100
Options expired	(53)	100	(114)	100
Options exercised	(547)	100	(568)	100
Options outstanding at the end of the year	718	$ 100	1,318	$ 100
Options exercisable at the end of the year	22	$ 100	17	$ 100

	Years ended December 31,			
	2019		2018	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	1,948	$ 448	-	$ -
Options expired	(121)	448	(52)	448
Options granted	-	-	2,000	448
Options outstanding at the end of the year	1,827	$ 448	1,948	$ 896
Options exercisable at the end of the year	-	$ -	-	$ -

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2019 and 2018 was $395.18 and $436.02, respectively.

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

		December 31, 2019		December 31, 2018	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2016.07.01	2022.06.30	718	$ 100	1,318	$ 100
2018.05.15	2024.05.14	1,827	448	1,948	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 (in dollars)	Expected price volatility (%)	Expected option life (year)	Expected dividends	Risk-free interest rate(%)	Fair value per unit (in dollars)
Employee stock options	2016.07.01	$ 145.50	$ 100	41.92~ 44.63	2.50	-	0.605~ 0.719	$ 41.55~ 45.10
Restricted stocks to employee	2016.07.20	$ 139.00	$ 10	32.73	-	-	0.52	$ 111.65
Employee stock options	2018.05.15	$ 440.00	$ 448	26.10~ 30.25	4.37	-	0.5636~ 0.6814	$ 63.16~ 106.15
Restricted stocks to employee	2019.09.30	$ 282.00	$ 10	-	1.25	-	-	$ 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,	
	2019	2018
Equity-settled	$ 157,483	$ 86,250

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 Note 6(14). Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

(15) Share capital

As of December 31, 2019, the Company's authorised capital was $2,000,000, and the paid-in capital was $1,196,172, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows: (Share in thousands)

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

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

(16) Capital surplus

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

(17) Retained earnings

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

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

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

D. Special reserve

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

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

E. On May 18, 2018, the stockholders approved the distribution of dividends from the 2017 earnings in the amount of $365,449, with cash dividends of $2.7 (in dollars) and stock dividends of $1.5 (in dollars) per share. On May 16, 2019, the stockholders approved the distribution of dividends from the 2018 earnings in the amount of $872,164, with cash dividends of $7 (in dollars) and stock dividends of $1.5 (in dollars) per share.

F. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(24).

(18) Other equity items

	2019			
	Unrealized gains (losses) on valuation	Currency translation	Unearned employee compensation	Total
At January 1	($ 11,576)	($ 156,770)	($ 4,425)	($ 172,771)
Currency translation differences	-	(157,363)	-	(157,363)
Compensation cost of share–based payments	-	-	(90,992)	(90,992)
At December 31	($ 11,576)	($ 314,133)	($ 95,417)	($ 421,126)

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

Amounts that the Group recognised in other comprehensive income due to the change in fair value are $0 and ($631) for the years ended December 31, 2019 and 2018, respectively. Amounts that the Group transferred from other equity to profit and loss is $0.

(19) Operating revenue

	Years ended December 31,	
	2019	2018
Revenue from contracts with customers	$ 9,566,132	$ 8,098,414

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2019	Europe and America region	Asia Pacific region	Total
Total segment revenue	$ 574,117	$ 14,649,168	$ 15,223,285
Inter-segment revenue	(147,825)	(5,509,328)	(5,657,153)
Revenue from external customer contracts	$ 426,292	$ 9,139,840	$ 9,566,132

Year ended December 31, 2018	Europe and America region	Asia Pacific region	Total
Total segment revenue	$ 363,674	$ 11,898,367	$ 12,262,041
Inter-segment revenue	(26,392)	(4,137,235)	(4,163,627)
Revenue from external customer contracts	$ 337,282	$ 7,761,132	$ 8,098,414

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

B. Contract assets and liabilities

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

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities – advance sales receipts	$ 9	$ 41	$ 226,275

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

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

	Years ended December 31,	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	$ 1	$ 226,275

(20) Other income

	Years ended December 31,	
	2019	2018
Interest income:		
Interest income from bank deposits	$ 59,772	$ 26,751
Dividend income	242	-
Other income-others	161,760	110,707
	$	$

(21) Other gains and losses

	Years ended December 31,	
	2019	2018
(Losses) gains on disposal of property, plant and equipment	($ 3,657)	$ 41,982
Foreign exchange (losses) gains	(9,879)	2,374
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	125	(386)
Impairment loss recognised in profit or loss, intangible assets other than goodwill	-	(6,440)
Miscellaneous disbursements	(475)	(611)
	($ 13,886)	36,919

(22) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense		
Bank borrowings	$ 396	$ 1,553
Convertible bonds	3,035	3,210
Leases	1,543	-
	$	$

(23) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expense	$ 1,555,500	$ 1,280,674
Depreciation charges on property, plant and equipment	255,118	160,828
Operating lease payments	65,814	63,850
Amortisation charges on intangible assets	14,223	13,699
	$ 1,890,655	$ 1,519,051

(24) Employee benefit expense

	Years ended December 31,	
	2019	2018
Wages and salaries	$ 1,206,625	$ 1,054,458
Employee stock options (Note)	157,483	86,250
Labour and health insurance fees	82,520	55,154
Pension costs	46,500	36,190
Other personnel expenses	62,372	48,622
	$ 1,555,500	$ 1,280,674

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, 2019 and 2018, employees' compensation was accrued at $175,019 and $150,000, respectively; while directors' and supervisors' remuneration was accrued at $4,200 and $3,150, 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, 2019. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $175,019 and $4,200, respectively, and the employees' compensation will be distributed in the form of cash.

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

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

(25) Income tax

A. Income tax expense

Components of income tax expense:

	Years ended December 31, 2019	Years ended December 31, 2018
Current tax:		
Current tax on profits for the year	$ 417,555	$ 399,665
Tax on undistributed surplus earnings	35,242	25,329
Effect from investment tax credits	(36,463)	-
Prior year income tax (over)underestimation	(52,129)	2,641
Total current tax	364,205	427,635
Deferred tax:		
Origination and reversal of temporary differences	17,078	(22,880)
Prior year deferred tax asset underestimation	(14,018)	(1,594)
Impact of change in tax rate	-	(4,003)
Total deferred tax	3,060	(28,477)
Income tax expense	$ 367,265	$ 399,158

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31, 2019	Years ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate	428,858	350,237
Effect from items not recognised in accordance with tax regulation	(2,307)	9,567
Effect from investment tax credits	(36,463)	-
Tax on undistributed earnings	35,242	25,329
Prior year income tax (over)underestimation	(52,129)	2,641
Change in assessment of realisation of deferred tax assets	(14,018)	10,849
Taxable loss not recognised as deferred tax assets	8,082	4,538
Impact of change in tax rate	-	(4,003)
Income tax expense	$ 367,265	$ 399,158

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

2019	January 1	Recognised in profit or loss	Business combination	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for obsolescence and decline in market value of inventories	$ 14,104	($ 7,113)	$ -	$ 6,991
Unrealised gross profit	37,083	(9,875)	-	27,208
	$ 51,187	($ 16,988)	$ -	$ 34,199
-Deferred tax liabilities:				
Unrealised exchange loss (gain)	($ 1,618)	($ 531)	$ -	($ 2,149)
Others	(1,322)	441	-	(881)
	($ 2,940)	($ 90)	$ -	($ 3,030)
	$ 48,247	($ 17,078)	$ -	$ 31,169

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

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

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 52,411	$ 53,495

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

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

(26) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 2,016,129	118,441	$ 17.02
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 2,016,129		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	3,209	1,400	
Employee' stock option	-	929	
Employees' compensation	-	560	
Restricted stocks	-	91	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 2,019,338	121,421	$ 16.63

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 1,794,899	115,916	$ 15.48
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,794,899		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	6,443	1,382	
Employee' stock option	-	1,214	
Employees' compensation	-	317	
Restricted stocks	-	191	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,801,342	119,020	$ 15.13

Note : For the years ended December 31, 2019 and 2018, the weighted average circulation of shares has been retrospectively adjusted to the number of shares of the Company's stock dividends in 2019.

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

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

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

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

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

D. The Group's subsidiary, TCI LIVING CO., LTD., merged with AQUAGEN CO., LTD. by issuing 720 thousand new shares on December 1, 2019. TCI LIVING CO., LTD. was the surviving company while AQUAGEN CO., LTD. was the dissolved company. AQUAGEN CO., LTD. has a distributor brand and has a high market profile. TCI LIVING CO., LTD. is expected to integrate its resources and strengthen its product portfolio when the merger is completed.

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

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

F. The fair value totaling $7,200 of the 720 thousand ordinary shares issued as part of the consideration paid for AQUAGEN CO., LTD. was based on the appraisal report.

G. The fair value of the acquired identifiable intangible assets was $4,590.

H. For the year ended December 31, 2019, the above transaction of TCI LIVING CO., LTD. which resulted to the effect of changes in interests in GENE & NEXT INC. on the equity attributable to owners of the parent is shown below:

		Year ended December 1, 2019
Equity instruments	$	7,200
Changes in the carrying amount of non-controlling interest	(	7,819)
Retained earnings - recognition of changes in ownership interest in subsidiaries	($	619)

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

(28) Operating leases

Prior to 2018

The Group leases land and plant under non-cancellable operating lease agreements. The lease terms are between 2 and 15 years. Some leases incur additional rent expense following the changes in local price indexes. The Group recognised rental expense of $63,850 for these leases in profit or loss for the year December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

		December 31, 2018
Not later than one year	$	43,304
Later than one year but not later than five years		59,901
Later than five years		7,929
	$	111,134

(29) Supplemental cash flow information

A. Investing activities with partial cash payments

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	$ 319,718	$ 63,685
Add: Opening balance of payable on equipment	64,134	12,310
Less: Ending balance of payable on equipment	(110,423)	(64,134)
Cash paid during the period	$ 273,429	$ 11,861

B. Financing activities with no cash flow effects

	Years ended December 31,	
	2019	2018
Convertible bonds being converted to capital stocks	$	$

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions

A. Operating revenue:

	Year ended December 31, 2019	For the period from January 1 to August 30, 2018
Sales of goods:		
Other related parties	$ 12,021	$ 15,617

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

B. Purchases:

	Year ended December 31, 2019	For the period from January 1 to August 30, 2018
Purchases of goods:		
Other related parties	$ -	$ 730
Purchase and processing fees:		
Other related parties	$	$ -

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

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

C. Receivables from related parties:

	December 31, 2019	December 31, 2018
Accounts receivable:		
Other related parties	$ 1,610	$ -

D. Payables to related parties:

	December 31, 2019	December 31, 2018
Accounts payable:		
Other related parties	$	$ -

(3) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 77,926	$ 51,997
Share-based payments	90,294	39,004
	$ 168,220	$ 91,001

(4) Others

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

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2019	December 31, 2018	Purpose
Property, plant and equipment	$	$ 410,222	Short-term and long-term borrowings
Other non-current assets	500	500	Contract security deposit
	$	$ 410,722	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	December 31, 2019	December 31, 2018
Property, plant and equipment	$	$ 907,454

B. As of December 31, 2019 and 2018, the Group's total unused letters of credit was $25,685 and $311,694, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. 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.

B. Please refer to Note 12(2).

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 25,848	$ 25,848
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	$ 3,848,194	$ 4,417,545
Financial assets at amortised cost	433,490	648,440
Notes receivable	5,840	24,916
Accounts receivable	601,553	520,049
Accounts receivable-related parties	1,610	-
Other receivables	18,500	38,282
Guarantee deposits paid	34,491	27,280
	$ 4,943,678	$ 5,676,512

	December 31, 2019	December 31, 2018
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated as at fair value through profit or loss	$ -	$ 85
Financial liabilities at amortised cost		
Short-term borrowings	$ 200,000	$ 12,000
Notes payable	3,115	253,201
Accounts payable	920,869	1,335,590
Accounts payable-related parties	29,278	-
Other accounts payable	1,083,081	823,154
Corporate bonds payable (including current portion)	431,389	494,446
	$ 2,667,732	$ 2,918,391

B. Financial risk management policies

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

(b) On March 3, 2020, the Board of Directors of the Company during their meeting resolved the provision of loans to the Company from subsidiaries, SHANGHAI BIOSCIENCE CO., LTD. and SHANGHAI BIOFUNCTION CO., LTD..

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

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

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

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

iii. The total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018, amounted to ($9,879) and $2,374, respectively.

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

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

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

v. Taking into account fluctuations in foreign exchange rates, on March 3, 2019, the Board of Directors of the Company at their meeting resolved to plan procedures to mitigate exchange rate risk under the limit of RMB 900 million.

Price risk

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

ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2019 and 2018 would have increased/decreased by $258 and $258, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars.

ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 0.1% with all other variables held constant, profit, net of tax for the years ended December 31, 2019 and 2018 would have increased/decreased by $160 and $96, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

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

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

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

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

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

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

vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2019 and 2018, the loss rate methodology is as follows:

	Group A	Group B	Group C	Group D	Total
At December 31, 2019					
Expected loss rate	0.23%	20.23%	100.00%	100.00%	
Total book value	$414,171	$174,542	$ 18,680	$ -	$607,393
Loss allowance	$ 953	$ 36,084	$ 18,680	$ -	$ 55,717

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

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

	2019	
	Accounts receivable	Notes receivable
At January 1	$ 56,552	$ -
Provision for impairment	2,171	-
Write-offs	(2,165)	-
Effect of foreign exchange	(841)	-
At December 31	$ 55,717	$ -

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

(c) Liquidity risk

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

ii. As of December 31, 2019 and 2018, the Group has undrawn borrowing facilities of $1,932,077 and $904,344, respectively.

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

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	$ 12,075	$ -	$ -
Notes payable	253,201	-	-
Accounts payable	1,335,590	-	-
Other payables	823,154	-	-
Guarantee deposits received	-	11,627	-
Convertible bonds	-	-	507,600

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

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

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

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

December 31,2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ 1,196	$ -	$ 24,652	$ 25,848
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Call and put options of corporate bonds	$ -	$ -	$ -	$ -

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

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

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

	Listed shares
Market quoted price	Closing price

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

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

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

D. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

E. For the year ended December 31, 2019, no Level 3 financial instrument was changed. And the following chart is the movement of Level 3 for the year ended December 31, 2018:

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

F. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

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

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

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

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

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

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

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

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

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

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

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Please refer to table 2.

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

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

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

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

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

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland

China)：Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

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

14. SEGMENT INFORMATION

(1) General information

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

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

(2) Measurement of segment information

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

(3) Segment information

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

	Taiwan	Asia	Others	Adjustment and reversal	Total
Year ended December 31, 2019					
Revenue from external customers	$ 1,619,840	$ 7,782,957	$ 163,335	$ -	$ 9,566,132
Revenue from internal customers	4,910,777	746,376	-	(5,657,153)	-
Segment revenue	$ 6,530,617	$ 8,529,333	$ 163,335	($ 5,657,153)	$ 9,566,132
Segment income	$ 2,685,001	$ 2,190,493	($ 4,585)	($ 2,832,943)	$ 2,037,966
Segment income / loss, including:					
Depreciation and amortisation	$ 193,633	$ 74,644	$ 1,064	$ -	$ 269,341
Interest income	3,645	56,127	-	-	59,772
Interest expense	4,125	849	-	-	4,974
Income tax expense	209,572	157,129	564	-	367,265
Investment profit or loss which is adopting equity method	1,015,670	607,703	-	(1,623,373)	$ -
Segment total assets	$ 13,547,978	$ 10,597,374	$ 81,291	($ 13,398,025)	$ 10,828,618
Segment assets including:					
Investment which is adopting equity method	$ 4,039,995	$ 2,164,244	$ -	($ 6,204,239)	$ -
Capital expenditure of non-current asset	1,476,314	163,769	930	-	1,641,013
Segment total liabilities	$ 3,324,050	$ 1,477,818	$ 77,714	($ 1,258,465)	$ 3,621,117

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

For the years ended December 31, 2019 and 2018, sales to Europe and America of reporting department-Taiwan amounted to $261,174 and $308,391, respectively, and sales to Europe and America of reporting department-Asia and others amounted to $165,118 and $28,891, respectively.

The adoption of IFRS 16, 'Leases', had the following impact on the segment information in 2019.

	Taiwan	Asia	Other	Total
Depreciation expense increased	$ 13, 135	$ 26, 683	$ -	$ 39, 818
Segment assets increased	$ 41, 651	$ 69, 206	$ -	$ 110, 857
Segment liabilities increased	$ 41, 938	$ 41, 449	$ -	$ 83, 387

(4) Reconciliation for segment income

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. The reportable segment income or loss is in accordance with the income before tax from continuing operations for the years ended December 31, 2019 and 2018.

(5) Information on products

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

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 1,619,840	$ 3,660,236	$ 1,884,624	$ 2,291,804
Mainland China	7,782,957	802,946	6,184,856	687,154
Others	163,335	5,034	28,934	3,112
	$ 9,566,132	$ 4,468,216	$ 8,098,414	$ 2,982,070

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

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	Revenue	Segment	Revenue	Segment
A	$ 1,702,480	Asia	$ 1,598,916	Asia
C	1,045,494	Asia	2,163,991	Asia
	$ 2,747,974		$ 3,762,907	

TCI CO., LTD. AND SUBSIDIARIES

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

December 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
TCI CO., LTD.	BILLION ELECTRIC CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	125,039	$ 1,196	0.12	$ 1,196	
TCI CO., LTD.	LIN LIE INTEGRATION CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	54,000	372	3.48	372	
TCI CO., LTD.	PURE MILK CO., LTD.	The company was an institutional shareholder of PURE MILK CO., LTD..	Financial assets at fair value through other comprehensive income - non-current	403,333	22,000	10.00	22,000	
TCI LIVING CO., LTD.	CHUN LING INTERNATIONAL CO., LTD.	The company was an institutional shareholder of CHUN LING INTERNATIONAL CO., LTD..	Financial assets at fair value through other comprehensive income - non-current	228,000	2,280	19.00	2,280	

TCI CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

							If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:						
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
TCI CO., LTD.	Land and buildings located in Neihu Dist., Taipei City	2019/1/9	$ 54,250	Based on the agreement	CHAINWIN C.M.M CO., LTD.	-	Not applicable	Not applicable	Not applicable	Not applicable	Market prices and appraisal report	For expanding the scope of operations	None
TCI CO., LTD.	Land and buildings located in Neihu Dist., Taipei City	2019/1/9	184,342	Based on the agreement	LITE PUTER ENTERPRISE CO., LTD.	-	Not applicable	Not applicable	Not applicable	Not applicable	Market prices and appraisal report	For expanding the scope of operations	None
TCI CO., LTD.	Land and buildings located in Neihu Dist., Taipei City	2019/10/30	188,385	Based on the agreement	YUYANG ENTERPRISE CO., LTD. and CHUENCHIOU INTERIOR DESIGN CO., LTD.	-	Not applicable	Not applicable	Not applicable	Not applicable	Market prices and appraisal report	For expanding the scope of operations	None

Note 1: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

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

TCI CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	Subsidiary	(Sales)	$ 3,150,690	(49.76)	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.	$ -	-	
TCI CO., LTD.	TCI BIOTECH LLC	Subsidiary	(Sales)	148,431	(2.34)	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.	58,807	9.37	
TCI CO., LTD.	TCI JAPAN CO., LTD.	Subsidiary	Purchases	387,524	9.37	60-90 days	The prices and terms of sales and purchases are available to third parties.	Terms for payments are approximately the same as those with third parties.	-	-	
TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	Subsidiary	(Sales)	1,296,483	(20.47)	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.	239,654	38.20	
TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	Subsidiary	Purchases	136,677	3.31	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.	(87,933)	(10.24)	
SHANGHAI BIOCOSME CO., LTD.	SHANGHAI BIOSCIENCE CO., LTD.	Sibling subsidiary	(Sales)	105,692	(37.92)	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.	-	-	
TCI JAPAN CO., LTD.	DAIDO PHARMACEUTICAL CORPORATION	Other related party	Purchase and processing	228,902	62.61	30-60 days	No similar transaction can be compared with.	The payment term is 30~60 days after monthly billings	(29,278)	(28.46)	

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

TCI CO., LTD. AND SUBSIDIARIES

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

December 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019		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	$ 239,654	10.82	$ -	-	$ 239,654	$ -

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

TCI CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	1	Sales of goods	$ 3,150,690	The prices and terms of sales and purchases are available to third parties.	32.94
0	TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	1	Sales of goods	1,296,483	The prices and terms of sales and purchases are available to third parties.	13.55
0	TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	1	Accounts receivable	239,654	The prices and terms of sales and purchases are available to third parties.	2.21

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories :
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

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

TCI CO., LTD. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2019	Initial investment amount: Balance as at December 31, 2018	Shares held as at December 31, 2019: Number of shares	Shares held as at December 31, 2019: Ownership (%)	Shares held as at December 31, 2019: Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income(loss) recognised by the Company for the year ended December 31, 2019	Footnote
TCI CO., LTD.	TCI FIRSTEK CORP.	R.O.C	Wholesale and retail of health foods and cosmetics	$ 43,685	$ 43,685	183,106,697	100.00	$ 2,741,022	$ 613,225	$ 613,225	None
TCI CO., LTD.	GENE & NEXT INC.	R.O.C	Research and development of biotechnology and genetics	64,250	64,250	6,425,000	61.19	105,353	56,654	34,667	None
TCI CO., LTD.	TCI HK LIMITED	Hong Kong	Trading health foods and cosmetics	21,046	21,046	-	100.00	13,743	(33)	(33)	None
TCI CO., LTD.	TCI BIOTECH LLC	U.S.A.	Trading health foods and cosmetics	8,778	8,778	-	100.00	3,577	(4,583)	(4,583)	None
TCI CO., LTD.	BIOCOSME CO., LTD.	R.O.C	Trading health foods and cosmetics	5,000	5,000	500,000	100.00	5,006	6	6	None
TCI CO., LTD.	TCI JAPAN CO., LTD.	JAPAN	Trading health foods and cosmetics	15,626	-	5,500	100.00	21,089	6,076	6,076	None
GENE & NEXT INC.	GLUX HK LIMITED	Hong Kong	Trading health foods and cosmetics	29,542	29,542	-	100.00	(100)	(3,206)	(1,962)	None
GENE & NEXT INC.	TCI LIVING CO., LTD.	R.O.C	Trading health foods and cosmetics	43,175	43,175	2,760,000	79.31	34,152	2,168	340	None
TCI LIVING CO., LTD.	SBI GROUP HK LIMITED	Hong Kong	Trading health foods and cosmetics	-	-	-	100.00	4,016	4	3	None
TCI CO., LTD.	PT TCI BIOTEK INDO	Indonesia	Trading health foods and cosmetics	-	-	-	100.00	90	90	90	Note 3
TCI CO., LTD.	TCI BIOTECH NETHERLANDS B.V.	Nederland	Trading health foods and cosmetics	-	-	-	100.00	-	-	-	Note 3

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

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

(1)The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held as at December 31, 2019' 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, 2019' 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, 2019' 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, 2019.

TCI CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
SHANGHAI BIOTRADE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetic manufacturing	$ 15,290	Note 3	$ 15,440	$ -	$ -	$ 15,440	$ 616,951	100.00	$ 616,951	$ 2,893,295	$ 289,047	Note 5 Note 6
SHANGHAI BIOSCIENCE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	25,830	Note 2	-	-	-	-	563,360	100.00	563,360	2,686,122	-	Note 5 Note 6
SHANGHAI BIOCOSME CO., LTD.	Producing cosmetics	142,065	Note 2	-	-	-	-	28,761	100.00	28,761	147,488	-	Note 5 Note 6
SHANGHAI BIOFUNCTION CO., LTD.	Producing health foods	1,373,216	Note 1	438,307	-	-	438,307	977,079	100.00	973,925	3,314,359	-	Note 5 Note 6
BIO DYNAMIC LABORATORIES INC.	Trading health foods and cosmetics	28,482	Note 3	-	-	-	-	(1,762)	48.53	(1,078)	2,779	-	Note 5 Note 6
SHANGHAI BIOTECHGENE TECHNOLOGY CO., LTD.	Research and development of biotechnology and genetics	43,050	Note 4	-	-	-	-	393	100.00	393	43,429	-	Note 5 Note 6

Note 1：Reinvestments in a company in Mainland China through parent company in Taiwan and Shanghai BioScience Co., Ltd.. (USD$14,400 and RMB$218,700)

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

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

Note 4：Reinvestments in a company in Mainland China through Shanghai BioScience Co., Ltd.

Note 5：The financial statements that are 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, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
TCI CO., LTD.	$ 438,307	$ 749,500	$ 4,324,501
TCI FIRSTEK CORP.	15,440	15,440	1,726,237

Note 6：The numbers in this table are expressed in New Taiwan dollars, except for: assets and liabilities presents at RMB$1：NTD$4.3050, USD$1：NTD$29.9800; income presents at RMB$1：NTD$4.4686, USD$1：NTD$30.9100;

Note 7：The amount is the higher of limits on accumulated investment amounts or 60% of consolidated net assets was based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

TCI CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2019

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at December 31, 2019	%	Balance at December 31, 2019	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate	Interest during the year ended December 31, 2019	
SHANGHAI BIOFUNCTION CO., LTD.	$ 3,150,690	49.76	$ -	-	$ -	-	$ -	-	$ -	$ -	-	$ -	
SHANGHAI BIOTRADE CO., LTD.	$ 1,296,483	(9.37)	$ -	-	$ 239,654	38.20	$ -	-	$ -	$ -	-	$ -	

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.

REPORT OF INDEPENDENT ACCOUNTANTS 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, 2019 and 2018, 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, 2019 and 2018, 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 (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's 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 Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. 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.
The key audit matters in relation to the parent company only financial statements for the year ended December 31, 2019 are outlined 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. The sales revenue for the year 2019 is significantly higher than for 2018.

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(28) for accounting policies on revenue recognition and Note 6(20) for details of sales revenue and Note 6(5) for details of investments accounted for under equity method.

How our audit addressed the matter

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

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

Allowance for inventory valuation losses

Description

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

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

Please refer to Note 4(11) for accounting policy on inventory valuation and Note 6(4) for details of allowance for inventory valuation losses and Note 6(5) for details of investments accounted for under equity method.

How our audit addressed the matter

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

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

- Interviewing management and reviewing sales after balance sheet date to assess the reasonableness of allowance for inventory valuation losses.

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.

Auditor’s responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the 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 group audit. We remain solely responsible for our audit opinion.

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

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

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

Hsu, Ming-Chuan Wang, Kuo-Hua
For and on behalf of PricewaterhouseCoopers, Taiwan
March 3, 2020

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 report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,025,245	10	$ 1,424,323	17
1150	Notes receivable, net	6(3)	2,940	-	2,980	-
1170	Accounts receivable, net	6(3)	221,091	2	191,618	2
1180	Accounts receivable due from related parties, net	7	403,315	4	713,462	8
1200	Other receivables		12,871	-	28,570	1
1210	Other receivables due from related parties	7	67,373	1	20,504	-
1220	Current tax assets	6(26)	2,229	-	2,229	-
130X	Current inventories	6(4)	670,441	7	520,249	6
1410	Prepayments		221,953	2	152,939	2
1470	Other current assets		27,872	-	23,130	-
11XX	**Current assets**		2,655,330	26	3,080,004	36
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	23,568	-	23,568	-
1550	Investments accounted for using equity method	6(5)	4,039,995	39	3,117,064	36
1600	Property, plant and equipment	6(6)	1,883,457	18	1,555,891	18
1755	Right-of-use assets	6(7)	41,651	1	-	-
1780	Intangible assets	6(8)	19,532	-	15,954	-
1840	Deferred tax assets	6(26)	34,199	-	51,187	1
1900	Other non-current assets	6(9)	1,678,305	16	757,760	9
15XX	**Non-current assets**		7,720,707	74	5,521,424	64
1XXX	**Current tax assets**		$ 10,376,037	100	$ 8,601,428	100

(Continued)

TCI CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2100	Current borrowings	6(13)	$ 200,000	2	$ -	-
2120	Current financial liabilities at fair value through profit or loss	6(10)	-	-	85	-
2130	Current contract liabilities	6(20) and 7	698,191	7	116,392	1
2150	Notes payable		2,520	-	252,318	3
2170	Accounts payable		711,117	7	1,092,086	13
2180	Accounts payable to related parties	7	144,742	1	91,918	1
2200	Other payables	6(11)	788,401	8	590,688	7
2220	Other payables to related parties	7	23,948	-	32,257	-
2230	Current tax liabilities	6(26)	167,235	2	147,370	2
2280	Current lease liabilities		14,009	-	-	-
2399	Other current liabilities, others		31,332	-	58,364	-
21XX	**Current liabilities**		2,781,495	27	2,381,478	27
	Non-current liabilities					
2530	Bonds payable	6(12)	431,389	4	494,446	6
2570	Deferred tax liabilities	6(26)	2,149	-	1,618	-
2580	Non-current lease liabilities		27,929	-	-	-
25XX	**Non-current liabilities**		461,467	4	496,064	6
2XXX	**Liabilities**		3,242,962	31	2,877,542	33
	Equity					
	Share capital	6(16)				
3110	Ordinary share		1,196,172	11	1,022,321	12
3140	Advance receipts for share capital		-	-	3,755	-
	Capital surplus	6(17)				
3200	Capital surplus		2,600,733	25	2,256,871	26
	Retained earnings	6(18)				
3310	Legal reserve		396,403	4	216,913	3
3320	Special reserve		168,346	2	120,366	1
3350	Unappropriated retained earnings		3,192,547	31	2,276,431	27
	Other equity interest	6(19)				
3400	Other equity interest		(421,126)	(4)	(172,771)	(2)
3XXX	**Equity**		7,133,075	69	5,723,886	67
3X2X	**Total liabilities and equity**		$ 10,376,037	100	$ 8,601,428	100

The accompanying notes are an integral part of these parent company only financial statements.

TCI CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	Year ended December 31 2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
4000	**Sales revenue**	6(20) and 7	$ 6,332,067	100	$ 5,090,620	100
5000	**Operating costs**	6(4)(14)(24)(25) and 7	(4,134,552)	(66)	(3,730,344)	(73)
5900	**Net operating margin**		2,197,515	34	1,360,276	27
5910	Unrealized profit from sales	6(5)	(136,040)	(2)	(185,417)	(4)
5920	Realized profit on from sales	6(5)	185,417	3	26,222	-
5950	**Net operating margin**		2,246,892	35	1,201,081	23
	Operating expenses	6(14)(24)(25)				
6100	Selling expenses		(317,406)	(5)	(279,953)	(6)
6200	General and administrative expenses		(547,548)	(9)	(351,638)	(7)
6300	Research and development expenses		(402,466)	(6)	(329,232)	(6)
6450	Impairment loss determined in accordance with IFRS 9		-	-	(16,630)	-
6000	**Total operating expenses**		(1,267,420)	(20)	(977,453)	(19)
6900	**Operating profit**		979,472	15	223,628	4
	Non-operating income and expenses					
7010	Other income	6(21) and 7	242,346	4	130,747	2
7020	Other gains and losses	6(22)	(8,643)	-	37,207	1
7050	Finance costs	6(23)	(4,060)	-	(4,593)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(5)	1,015,670	16	1,520,216	30
7000	**Total non-operating income and expenses**		1,245,313	20	1,683,577	33
7900	**Profit before income tax**		2,224,785	35	1,907,205	37
7950	Income tax expense	6(26)	(208,656)	(3)	(112,306)	(2)
8200	**Profit for the year**		$ 2,016,129	32	$ 1,794,899	35
	Other comprehensive income					
	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(2)(19)	$ -	-	($ 631)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(5)(19)	(157,363)	(3)	(64,509)	(1)
8300	**Other comprehensive loss for the year**		($ 157,363)	(3)	($ 65,140)	(1)
8500	**Total comprehensive income for the year**		$ 1,858,766	29	$ 1,729,759	34
	Earnings per share (In dollars)					
9750	**Basic earnings per share**	6(27)	$ 17.02		$ 15.48	
9850	**Diluted earnings per share**	6(27)	$ 16.63		$ 15.13	

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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital			Retained earnings			Other equity interest				
		Share capital - common stock	Advance receipts for share capital	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Other equity - others	Total equity
For the year ended December 31, 2018												
Balance at January 1, 2018		$ 870,117	$ -	$ 1,453,414	$ 145,690	$ 98,101	$ 953,899	($ 92,261)	$ -	($ 24,375)	($ 18,507)	$ 3,386,078
Effect of retrospective application		-	-	-	-	-	-	-	(24,375)	24,375	-	-
Balance at 1 January after adjustments		870,117	-	1,453,414	145,690	98,101	953,899	(92,261)	(24,375)	-	(18,507)	3,386,078
Profit for the year		-	-	-	-	-	1,794,899	-	-	-	-	1,794,899
Other comprehensive loss for the year	6(19)	-	-	-	-	-	-	(64,509)	(631)	-	-	(65,140)
Total comprehensive income (loss)		-	-	-	-	-	1,794,899	(64,509)	(631)	-	-	1,729,759
Appropriations of 2017 earnings (Note 2)												
Legal reserve		-	-	-	71,223	-	(71,223)	-	-	-	-	-
Special reserve		-	-	-	-	22,265	(22,265)	-	-	-	-	-
Stock dividends		130,518	-	-	-	-	(130,518)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(234,931)	-	-	-	-	(234,931)
Exercise of employee stock purchase plans	6(16)(17)	5,260	420	38,036	-	-	-	-	-	-	-	43,716
Due to recognition of equity component of convertible bonds issued	6(12)	-	-	24,360	-	-	-	-	-	-	-	24,360
Conversion of convertible bonds into shares	6(12)(16)	16,426	3,335	668,893	-	-	-	-	-	-	-	688,654
Share-based payments	6(16)(19)(25)	-	-	72,168	-	-	-	-	-	-	14,082	86,250
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(19)	-	-	-	-	-	(13,430)	-	13,430	-	-	-
Balance at December 31, 2018		$ 1,022,321	$ 3,755	$ 2,256,871	$ 216,913	$ 120,366	$ 2,276,431	($ 156,770)	($ 11,576)	$ -	($ 4,425)	$ 5,723,886

(Continued)

TCI CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Share capital			Retained earnings			Other equity interest				
	Notes	Share capital - common stock	Advance receipts for share capital	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Other equity - others	Total equity
For the year ended December 31, 2019												
Balance at January 1, 2019		$ 1,022,321	$ 3,755	$ 2,256,871	$ 216,913	$ 120,366	$ 2,276,431	($ 156,770)	($ 11,576)	$ -	($ 4,425)	$ 5,723,886
Profit for the year		-	-	-	-	-	2,016,129	-	-	-	-	2,016,129
Other comprehensive loss for the year	6(19)	-	-	-	-	-	-	(157,363)	-	-	-	(157,363)
Total comprehensive income (loss)		-	-	-	-	-	2,016,129	(157,363)	-	-	-	1,858,766
Appropriations of 2018 earnings												
Legal reserve		-	-	-	179,490	-	(179,490)	-	-	-	-	-
Special reserve		-	-	-	-	47,980	(47,980)	-	-	-	-	-
Stock dividends		153,911	-	-	-	-	(153,911)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(718,253)	-	-	-	-	(718,253)
Exercise of employee stock purchase plans	6(16)(17)	5,890	(420)	31,180	-	-	-	-	-	-	-	36,650
Conversion of convertible bonds into shares	6(12)(16)	5,180	(3,335)	64,207	-	-	-	-	-	-	-	66,052
Share-based payments	6(16)(19)(25)	8,870	-	248,475	-	-	-	-	-	-	(90,992)	166,353
Adjustment not proportionately to shareholding ratio	6(5)	-	-	-	-	-	(379)	-	-	-	-	(379)
Balance at December 31, 2019		$ 1,196,172	$ -	$ 2,600,733	$ 396,403	$ 168,346	$ 3,192,547	($ 314,133)	($ 11,576)	$ -	($ 95,417)	$ 7,133,075

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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 2,224,785	$ 1,907,205
Adjustments			
Adjustments to reconcile profit (loss)			
Impairment loss determined in accordance with IFRS 9	6(3)	-	16,630
Net loss on financial assets or liabilities at fair value through profit or loss	6(10)(22)	(125)	386
Gain on disposal of property, plant and equipment	6(22)	-	(37,161)
Share of profit of subsidiaries accounted for under equity method	6(5)	(1,015,670)	(1,520,216)
Unrealized profit from sales	6(5)	(49,377)	159,195
Depreciation	6(6)(7)(24)	176,572	125,795
Amortisation	6(8)(24)	11,575	13,339
Interest income	6(21)	(3,484)	(1,479)
Dividend income		(242)	-
Interest expense	6(23)	4,060	4,593
Compensation cost arising from employee stock options	6(15)(25)	157,483	86,250
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		40	1,773
Accounts receivable		(29,473)	(22,818)
Accounts receivable due from related parties		310,147	(618,731)
Other receivables		15,501	(21,187)
Other receivables due from related parties	7	(46,869)	(10,694)
Inventories		(150,192)	(225,184)
Prepayments		(69,014)	(106,765)
Other current assets		(4,742)	(21,604)
Changes in operating liabilities			
Contract liabilities - current		581,799	116,392
Notes payable		(249,798)	249,636
Accounts payable		(380,969)	664,867
Accounts payable to related parties	7	52,824	51,426
Other payables		156,909	264,264
Other current liabilities		(27,032)	(16,809)
Other payables to related parties	7	(8,309)	14,218
Cash inflow generated from operations		1,656,399	1,073,321
Interest received		3,682	1,238
Dividends received		242	-
Interest paid		(331)	(1,404)
Income tax paid		(171,272)	(29,314)
Net cash flows from operating activities		1,488,720	1,043,841

(Continued)

TCI CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of non-current financial assets at fair value through other comprehensive income		$ -	($ 22,000)
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	6(2)	-	2,054
Acquisition of investments accounted for under equity method	6(5)	(15,626)	(54,582)
Acquisition of property, plant and equipment	6(29)	(251,401)	(1,398)
Proceeds from disposal of property, plant and equipment		-	99,368
Acquisition of intangible assets	6(8)	(15,153)	(11,538)
Increase in prepayments for purchase of equipment		(1,137,961)	(875,394)
Increase in refundable deposits		(5,408)	(12,051)
Decrease in other non-current assets		24,026	11,444
Net cash flows used in investing activities		(1,401,523)	(864,097)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of short-term borrowings		(450,000)	-
Repayment of long-term borrowings		-	(139,044)
Proceeds from short-term borrowings		650,000	-
Repayments of principal portion of lease liabilities	6(7)	(13,542)	-
Proceeds from issuance of convertible bonds, net	6(12)	-	1,200,000
Cash dividends paid		(718,253)	(234,931)
Employee stock options		36,650	43,716
Proceeds from issuance of restricted stock	6(15)	8,870	-
Net cash flows (used in) from financing activities		(486,275)	869,741
Net (decrease) increase in cash and cash equivalents		(399,078)	1,049,485
Cash and cash equivalents at beginning of year	6(1)	1,424,323	374,838
Cash and cash equivalents at end of year	6(1)	$ 1,025,245	$ 1,424,323

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, 2019 AND 2018

(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 3, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

A. IFRS 16, 'Leases'

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

(b) The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by $46,180, increased 'lease liability' by $46,180 with respect to the lease contracts of lessees on January

1, 2019.

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

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

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

iii. The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $25,270 was recognised in 2019.

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

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

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

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

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

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$	47,050
Less: Short-term leases	(	522)
Less: Low-value assets	(	348)
Total lease contracts amount recognised as lease liabilities by applying IFRS16 on January 1, 2019		46,180
Incremental borrowing interest rate at the date of initial application		1.65%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	46,180

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

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

C. Annual improvements to IFRSs 2015-2017 cycle

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

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

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

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, 'Interest rate benchmark reform'	January 1, 2020

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance 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
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance 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 and liabilities at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan Dollars (NTD), which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

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

(4) <u>Classification of current and non-current items</u>

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) <u>Cash equivalents</u>

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) 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.

(9) 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.

(10) <u>Derecognition of financial assets</u>

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.

(11) <u>Inventories</u>

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.

(12) <u>Investments accounted for using equity method / subsidiary</u>

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-acqusition 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.

(13) <u>Property, plant and equipment</u>

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

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

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

Buildings and structures	3 ~ 50 years
Machinery and equipment	2 ~ 10 years

Office equipment	1 ~ 16 years
Other	1 ~ 10 years

(14) Operating leases (lessee)

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

(15) Intangible assets

A. Trademarks and licences

Separately acquired trademarks and licences are stated at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are amortised on a straight-line basis over their estimated useful lives of 15 to 20 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 10 years.

C . Goodwill

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

(16) Impairment of non-financial assets

The 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.

(17) 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.

(18) Notes and accounts payable

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

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

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

A. Financial liabilities 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.

(20) 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'.

(21) Derecognition of financial liabilities

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

(22) Offsetting financial instruments

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the 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.

(24) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and 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'.

(25) Income tax

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

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

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

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

(27) <u>Dividends</u>

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

(28) <u>Revenue recognition</u>

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.

(29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of December 31, 2019, the carrying amount of inventories was $670,441.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	$ 1,676	$ 2,028
Checking accounts and demand deposits	1,023,569	922,295
Time deposits	-	500,000
	$ 1,025,245	$ 1,424,323

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. The Company has no cash and cash equivalents pledged to others.

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

Items	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments		
Listed stocks	$ 12,604	$ 12,604
Unlisted stocks	22,540	22,540
	35,144	35,144
Valuation adjustment	(11,576)	(11,576)
	$ 23,568	$ 23,568

A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $23,568 and $23,568 as at December 31, 2019 and 2018, respectively.

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

C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was $23,568 and $23,568, respectively.

D. The Company's financial assets at fair value through other comprehensive income are not pledged to others as collateral.

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

(3) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 2,940	$ 2,980
Less: Allowance for uncollectible accounts	-	-
	$ 2,940	$ 2,980
Accounts receivable	$ 252,923	$ 223,450
Less: Allowance for uncollectible accounts	(31,832)	(31,832)
	$ 221,091	$ 191,618

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

	December 31, 2019	December 31, 2018
Not past due	$ 133,776	$ 150,375
Up to 30 days	35,500	44,223
31 to 90 days	52,834	-
Over 91 days	1,921	-
	$ 224,031	$ 194,598

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to $190,183.

C. As of December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable were $2,940 and $2,980; $221,091 and $191,618, respectively.

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

(4) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 604,439	($ 25,367)	$ 579,072
Work in progress	31,670	-	31,670
Finished goods	69,290	(9,591)	59,699
	$ 705,399	($ 34,958)	$ 670,441

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 419,603	($ 34,175)	$ 385,428
Work in progress	64,063	-	64,063
Finished goods	107,104	(36,346)	70,758
	$ 590,770	($ 70,521)	$ 520,249

A. The cost of inventories recognised as expense for the years ended December 31, 2019 and 2018, was $4,134,552 and $3,730,344, respectively, including the amounts of ($35,563) and $35,000, 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 2019.

(5) Investments accounted for using equity method

	2019	2018
At January 1	$ 3,117,064	$ 1,765,970
Addition of investments accounted for using equity method	15,626	54,582
Share of profit or loss of investments accounted for using equity method	1,015,670	1,520,216
Unrealized profit (loss) from sales	(136,040)	(185,417)
Realized profit (loss) from sales	185,417	26,222
Changes in unappropriated earnings (not recognised proportionately to shareholding ratio)	(379)	-
Changes in other equity items	(157,363)	(64,509)
At December 31	$ 4,039,995	$ 3,117,064

	December 31, 2019	December 31, 2018
TCI FIRSTEK CORP.	$ 2,741,022	$ 1,773,480
GENE & NEXT INC.	105,353	71,196
Shanghai BioFunction Co., Ltd.	1,150,115	1,245,053
TCI HK LIMITED	13,743	14,113
TCI BIOTECH	3,577	8,222
BioCosme Co., Ltd.	5,006	5,000
TCI JAPAN CO., LTD	21,089	-
PT TCI BIOTEK INDO	90	-
	$ 4,039,995	$ 3,117,064

A. Information about the Company’s subsidiaries is provided in Note 4(3) of the 2019 consolidated financial statements.

B. The Company’s second-tier subsidiary, TCI LIVING CO., LTD., issued new shares and merged AQUAGEN CO., LTD. in December 2019. Such transaction resulted to changes in interests in GENE & NEXT INC. on the equity attributable to owners of the parent. Information about this transaction is provided in Note 6(27) of the 2019 consolidated financial statements.

(6) Property, plant and equipment

	Land	Buildings and structures	Machinery	Office equipment	Others	Total
At January 1, 2019						
Cost	$ 159,301	$ 875,013	$ 546,069	$ 189,661	$ 156,364	$ 1,926,408
Accumulated depreciation	-	(72,314)	(179,333)	(48,588)	(70,282)	(370,517)
	$ 159,301	$ 802,699	$ 366,736	$ 141,073	$ 86,082	$ 1,555,891
2019						
At January 1	$ 159,301	$ 802,699	$ 366,736	$ 141,073	$ 86,082	$ 1,555,891
Additions	201,305	35,512	48,126	674	6,588	292,205
Reclassifications	139,043	(134,215)	148,490	7,747	37,733	198,798
Depreciation charge	-	(25,309)	(91,171)	(18,121)	(28,836)	(163,437)
At December 31	$ 499,649	$ 678,687	$ 472,181	$ 131,373	$ 101,567	$ 1,883,457
At December 31, 2019						
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)
	$ 499,649	$ 678,687	$ 472,181	$ 131,373	$ 101,567	$ 1,883,457

	Land	Buildings and structures	Machinery	Office equipment	Others	Total
At January 1, 2018						
Cost	$ 174,704	$ 855,041	$ 356,761	$ 100,596	$ 107,572	$ 1,594,674
Accumulated depreciation	-	(51,167)	(116,314)	(32,137)	(53,115)	(252,733)
	$ 174,704	$ 803,874	$ 240,447	$ 68,459	$ 54,457	$ 1,341,941
2018						
At January 1	$ 174,704	$ 803,874	$ 240,447	$ 68,459	$ 54,457	$ 1,341,941
Additions	-	2,477	11,594	5,979	30,597	50,647
Disposals	(15,403)	(46,804)	-	-	-	(62,207)
Reclassifications	-	70,780	177,714	83,086	19,725	351,305
Depreciation charge	-	(27,628)	(63,019)	(16,451)	(18,697)	(125,795)
At December 31	$ 159,301	$ 802,699	$ 366,736	$ 141,073	$ 86,082	$ 1,555,891
At December 31, 2018						
Cost	$ 159,301	$ 875,013	$ 546,069	$ 189,661	$ 156,364	$ 1,926,408
Accumulated depreciation	-	(72,314)	(179,333)	(48,588)	(70,282)	(370,517)
	$ 159,301	$ 802,699	$ 366,736	$ 141,073	$ 86,082	$ 1,555,891

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

(7) Leasing arrangements－lessee

Effective 2019

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

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

	December 31, 2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Buildings	$ 39,959	$ 11,896
Transportation equipment (Business vehicles)	1,692	1,239
	$ 41,651	$ 13,135

C. For the year ended December 31, 2019, the additions to right-of-use assets was $8,606.

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

	Year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 694
Expense on short-term lease contracts	25,270
Expense on leases of low-value assets	16,288

E. For the year ended December 31, 2019, the Company total cash outflow for leases was $55,100.

(8) Intangible assets

	Trademarks and licences	Software	Royalty	Total
At January 1, 2019				
Cost	$ -	$ 33,552	$ 1,650	$ 35,202
Accumulated amortisation	-	(18,886)	(362)	(19,248)
	$ -	$ 14,666	$ 1,288	$ 15,954
2019				
At January 1	$ -	$ 14,666	$ 1,288	$ 15,954
Additions	-	15,153	-	15,153
Amortisation charge	-	(11,287)	(288)	(11,575)
At December 31	$ -	$ 18,532	$ 1,000	$ 19,532
At December 31, 2019				
Cost	$ -	$ 37,519	$ 1,650	$ 39,169
Accumulated amortisation	-	(18,987)	(650)	(19,637)
	$ -	$ 18,532	$ 1,000	$ 19,532

	Trademarks and licences	Software	Royalty	Total
At January 1, 2018				
Cost	$ 238	$ 24,835	$ 5,322	$ 30,395
Accumulated amortisation	(238)	(8,380)	(4,022)	(12,640)
	$ -	$ 16,455	$ 1,300	$ 17,755
2018				
At January 1	$ -	$ 16,455	$ 1,300	$ 17,755
Additions	-	11,388	150	11,538
Amortisation charge	-	(13,177)	(162)	(13,339)
At December 31	$ -	$ 14,666	$ 1,288	$ 15,954
At December 31, 2018				
Cost	$ -	$ 33,552	$ 1,650	$ 35,202
Accumulated amortisation	-	(18,886)	(362)	(19,248)
	$ -	$ 14,666	$ 1,288	$ 15,954

Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Overhead	$	$
Selling expenses	42	-
Administrative expenses	11,318	13,095
Research and development expenses	183	150
	$ 11,575	$ 13,339

(9) Other non-current assets

	December 31, 2019	December 31, 2018
Prepayments for construction business facilities	$ 1,649,432	$ 735,846
Guarantee deposits paid	27,322	21,914
Other non-current assets	1,551	-
	$ 1,678,305	$ 757,760

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

Items	December 31, 2019	December 31, 2018
Current items:		
Financial liabilities held for trading		
Call and put option of corporate bonds	($ 261)	($ 301)
Valuation adjustment	261	386
	$ -	$ 85

Amounts recognised in net gain (loss) in relation to financial liabilities at fair value through profit or loss are $125 and ($386) for the years ended December 31, 2019 and 2018, respectively.

(11) Other payables

	December 31, 2019	December 31, 2018
Salaries and bonuses payable	$ 332,554	$ 234,054
Employee bonus payable	252,947	191,662
Payable on machinery and equipment	99,174	58,370
Other expense payables	103,710	106,586
Other payables	16	16
	$ 788,401	$ 590,688

(12) Bonds payable

	December 31, 2019	December 31, 2018
Bonds payable	$ 435,400	$ 502,500
Less: Discount on bonds payable	(4,011)	(8,054)
	431,389	494,446
Less: Current portion or exercise of put options	-	-
	$ 431,389	$ 494,446

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) As of December 31, 2019, the bonds totaling $67,100 (face value) had been converted into 184 thousand shares of common stock and all the registration procedures have been completed.

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

(13) Short-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2019
Bank borrowings				
The Export-Import Bank of the Requblic of China unsecured borrowings	Borrowing period is from August 26, 2019 to August 26, 2020; interest is repayable monthly .	1.07%	None	$ 200,000

A. As of December 31, 2018, the Company has no short-term borrowings.

B. As of December 31, 2019 and 2018, the Company has undrawn borrowing facilities of $1,912,077 and $884,344, respectively.

(14) Pensions

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

B. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were $24,753 and $16,969, respectively.

(15) Share-based payment

A. For the years ended December 31, 2019 and 2018, 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 2 service years are entitled to 30% Employees with 3 service years are entitled to 60% Employees with 4 service years are entitled to 100%
Restricted stocks to employees	2016.07.20	600	3 years	Employees with 1 service years are entitled to 33% Employees with 2 service years are entitled to 66% Employees with 3 service years are entitled to 100% Operating revenue growth rate 30% (year) Maintaining profit rate after tax above 10% Earnings per share exceeds $3.0 (including $3.0)
Employee stock options	2018.05.15	2,000	6 years	Employees with 2 service years are entitled to 40% Employees with 3 service years are entitled to 80% Employees with 4 service years are entitled to 100%

Type of arrangement	Issue date	Quantity granted	Contract period	Vesting conditions
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:

	Year ended December 31,			
	2019		2018	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	1,318	$ 100	2,000	$ 100
Options expired	(53)	100	(114)	$ 100
Options exercised	(547)	100	(568)	100
Options outstanding at the end of the year	718	$ 100	1,318	$ 100
Options exercisable at the end of the year	22	$ 100	17	$ 100

	Year ended December 31,			
	2019		2018	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	1,948	$ 448	-	$ -
Options granted	-	-	2,000	448
Options expired	(121)	448	(52)	448
Options outstanding at the end of the year	1,827	$ 448	1,948	448
Options exercisable at the end of the year	-	$ -	-	$ -

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2019 and 2018 was $395.18 and $436.02, respectively.

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

		December 31, 2019		December 31,2018	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2016.07.01	2022.06.30	718	$ 100	1,318	$ 100
2018.05.15	2024.05.14	1,827	448	1,948	448

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

Type of arrangement	Issue date	Stock price (in dollars)	Exercise price	Expected price volatility (%)	Expected option life (year)	Expected dividends	Risk-free interest rate(%)	Fair value per unit (in dollars)
Employee stock options	2016.07.01	$ 145.50	$ 100	41.92~ 44.63	2.50	-	0.605~ 0.719	$ 41.55~ 45.10
Restricted stocks to employee	2016.07.20	$ 139.00	$ 10	32.73	-	-	0.52	$ 111.65
Employee stock options	2018.05.15	$ 440.00	$ 448	26.10~ 30.25	4.37	-	0.5636~ 0.6814	$ 63.16~ 106.15
Restricted stocks to employee	2019.9.30	$ 282.00	$ 10	-	1.25	-	-	$ 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,	
	2019	2018
Equity-settled	$ 157,483	$ 86,250

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 Note 6(15). Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

(16) Share capital

As of December 31, 2019, the Company's authorised capital was $2,000,000, and the paid-in capital was $1,196,172, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:(Share in thousands)

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

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

(17) Capital surplus

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

(18) Retained earnings

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

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

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

D. Special reserve

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

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

E. On May 16, 2019, the stockholders approved the distribution of dividends from the 2018 earnings in the amount of $872,164, with cash dividends of $7 (in dollars) and stock dividends of $1.5 (in dollars) per share.

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

(19) Other equity items

	2019			
	Unrealized gains (losses) on valuation	Currency translation	Unearned employee compensation	Total
At January 1	($ 11,576)	($ 156,770)	($ 4,425)	($ 172,771)
Currency translation differences	-	(157,363)	-	(157,363)
Compensation cost of share–based payments	-	-	(90,992)	(90,992)
At December 31	($ 11,576)	($ 314,133)	($ 95,417)	($ 421,126)

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

Amounts that the Company recognised in other comprehensive income due to the change in fair value are $0 and ($631) for the years ended December 31, 2019 and 2018, respectively. Amount that the Company transferred from other equity to profit and loss is $0.

(20) Operating revenue

	Years ended December 31,	
	2019	2018
Revenue from contracts with customers	$ 6,332,067	$ 5,090,620

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:

2019	Europe and America region	Asia Pacific region	Total
Timing of revenue			
At a point in time	$ 432,285	$ 5,899,782	$ 6,332,067
2018	Europe and America region	Asia Pacific region	Total
Timing of revenue			
At a point in time	$ 334,783	$ 4,755,837	$ 5,090,620

B. Contract assets and liabilities

As of December 31, 2019, the Company has not recognized any revenue-related contract assets, while the Company has recognized contract liabilities below:

	December 31, 2019	December 31, 2019	January 1, 2018
Contract liabilities – advance sales receipts	$	$ 116,392	$ 60,510

(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,	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	$	$ 60,510

(21) Other income

	Years ended December 31,	
	2019	2018
Service income	$ 83,265	$ 88,144
Rent income	2,286	2,286
Interest income	3,484	1,479
Dividend income	242	-
Other income-others	153,069	38,838
	$ 242,346	$ 130,747

(22) Other gains and losses

	Years ended December 31,	
	2019	2018
Gains on disposal of property, plant and equipment	$ -	$ 37,161
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	125	(386)
Foreign exchange (losses) gains	(8,475)	541
Miscellaneous disbursements	(293)	(109)
	($ 8,643)	$ 37,207

(23) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense		
Bank borrowings	$ 331	$ 1,383
Convertible bonds	3,035	3,210
Leases	694	-
	$	$

(24) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expense	$ 1,178,817	$ 911,579
Processing fee	236,509	309,975
Depreciation charges on property, plant and equipment	176,572	125,795
Operating lease payments	41,558	29,953
Amortisation charges on intangible assets	11,575	13,339
	$ 1,645,031	$ 1,390,641

(25) Employee benefit expense

	Years ended December 31,	
	2019	2018
Wages and salaries	$ 898,623	$ 738,196
Employee stock options (Note)	157,483	86,250
Labour and health insurance fees	55,928	36,774
Pension costs	24,753	16,969
Other personnel expenses	42,030	33,390
	$ 1,178,817	$ 911,579

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, 2019 and 2018, employees' compensation was accrued at $175,019 and $150,000, respectively; while directors' and supervisors' remuneration was accrued at $4,200 and $3,150, 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, 2019. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were $175,019 and $4,200, respectively, and the employees' compensation will be distributed in the form of cash.

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

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

System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

Components of income tax expense:

	Years ended December 31, 2019	Years ended December 31, 2018
Current tax:		
Current tax on profits for the year	$ 226,954	$ 117,633
Tax on undistributed surplus earnings	34,763	25,329
Effect from investment tax credits	(34,763)	-
Prior year income tax (over) under estimation	(35,817)	6,804
Total current tax	191,137	149,766
Deferred tax:		
Origination and reversal of temporary differences	17,519	(35,323)
Impact of change in tax rate	-	(2,137)
Total deferred tax	17,519	(37,460)
Income tax expense	$ 208,656	$ 112,306

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31, 2019	Years ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate	$ 444,957	$ 381,441
Effect from items not recognised in accordance with tax regulation	(200,484)	(299,131)
Effect from investment tax credits	(34,763)	-
Prior year income tax (over) underestimation	(35,817)	6,804
Tax on undistributed earnings	34,763	25,329
Impact of change in tax rate	-	(2,137)
Income tax expense	$ 208,656	$ 112,306

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

	2019		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Allowance for obsolescence and decline in market value of inventories	$ 14,104	($ 7,113)	$ 6,991
Unrealised exchange loss (gain)	-	-	-
Unrealised gross profit	37,083	(9,875)	27,208
	$ 51,187	($ 16,988)	$ 34,199
-Deferred tax assets (liabilities):			
Unrealised exchange loss (gain)	($ 1,618)	($ 531)	($ 2,149)
	($ 1,618)	($ 531)	($ 2,149)
	$ 49,569	($ 17,519)	$ 32,050

	2018		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Allowance for obsolescence and decline in market value of inventories	$ 6,039	$ 8,065	$ 14,104
Unrealised exchange loss (gain)	1,613	(1,613)	-
Unrealised gross profit	4,457	32,626	37,083
	$ 12,109	$ 39,078	$ 51,187
-Deferred tax assets (liabilities):			
Unrealised exchange loss (gain)	$ -	($ 1,618)	($ 1,618)
	$ -	($ 1,618)	($ 1,618)
	$ 12,109	$ 37,460	$ 49,569

D. Except for 2016, the Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

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

(27) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 2,016,129	118,441	$ 17.02
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 2,016,129		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	3,209	1,400	
Employee' stock option	-	929	
Employees' compensation	-	560	
Restricted stocks	-	91	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 2,019,338	121,421	$ 16.63

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 1,794,899	115,916	$ 15.48
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,794,899		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	6,443	1,382	
Employee' stock option	-	1,214	
Employees' compensation	-	317	
Restricted stocks	-	191	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,801,342	119,020	$ 15.13

The weighted average circulation of shares has been retrospectively adjusted to the number of shares of the company's stock dividend in 2018.

(28) Operating leases

Prior to 2019

The Company leases land and plant under non-cancellable operating lease agreements. The lease terms are between 2 and 15 years. Some leases are charged extra rents following the changes of local price indexes. The Company recognised rental expenses of $29,953 for these leases in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018
Not later than one year	$ 12,973
Later than one year but not later than five years	32,971
Later than five years	1,106
	$ 47,050

The present value of rent payable for more than five years was $837 for the year ended December 31, 2018.

(29) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31, 2019	Year ended December 31, 2018
Purchase of property, plant and equipment	$ 292,205	$ 50,647
Add: Opening balance of payable on equipment	58,370	9,121
Less: Ending balance of payable on equipment	(99,174)	(58,370)
Cash paid during the year	$ 251,401	$ 1,398

B. Financing activities with no cash flow effects

	Year ended December 31, 2019	Year ended December 31, 2018
Convertible bonds being converted to capital stocks	$	$

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
GENE & NEXT INC. (GENE & NEXT)	Subsidiary
SHANGHAI BIOFUNCTION CO., LTD. (BIOFUNCTION)	Subsidiary
SHANGHAI BIOSCIENCE CO., LTD. (BIOSCIENCE)	Second-tier subsidiary
SHANGHAI BIOCOSME CO., LTD. (BIOCOSME)	Second-tier subsidiary
SHANGHAI BIOTRADE CO., LTD. (BIOTRADE)	Second-tier subsidiary
TCI BIOTECH LLC(TCI BIOTECH)	Subsidiary
TCI JAPAN CO., LTD. (TCI JAPAN)	Subsidiary
TCI LIVING CO., LTD. (Former name is SBI CO., LTD.)	Other related party (The company was an institutional shareholder of TCI LIVING CO., LTD. before August 30, 2018. Now, it is the Company's second-tier subsidiary.)

(2) Significant related party transactions

A. Operating revenue:

	Year ended December 31, 2019	Year ended December 31, 2018
Sales of goods:		
Subsidiary and second-tier subsidiary		
BIOFUNCTION	$ 3,150,690	$ 3,146,833
BIOTRADE	1,296,483	-
Other	342,012	565,486
Other related parties	-	15,549
	$ 4,789,185	$ 3,727,868

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

B. Purchases:

	Year ended December 31, 2019	Year ended December 31, 2018
Purchases of goods:		
Subsidiary and second-tier subsidiary	$ 594,342	$ 167,122

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

C. Service and rent revenue: (shown as ‘7010 other income’)

	Year ended December 31, 2019	Year ended December 31, 2018
Service revenue:		
Subsidiary and second-tier subsidiary		
BIOFUNCTION	$ 178,265	$ 58,206
BIOSCIENCE	-	24,435
Other	2,222	5,503
Rent revenue:		
Subsidiary and second-tier subsidiary		
Other	2,286	2,286
	$ 182,773	$ 90,430

Service revenue pertain to providing human resources and R&D services to subsidiaries.

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

D. Service expenses: (shown as operating cost and operating expense)

	Year ended December 31, 2019	Year ended December 31, 2018
Purchases of services:		
Subsidiary and second-tier subsidiary		
GENE & NEXT	$ 86,754	$ 84,785
Other	483	143
	$ 87,237	$ 84,928

Service expense pertain to human resources and other services provided by subsidiaries.

E. Receivables from related parties:

	Year ended December 31, 2019	Year ended December 31, 2018
Accounts receivable:		
Subsidiary and second-tier subsidiary		
BIOFUNCTION	$ -	$ 639,866
BIOTRADE	239,654	-
TCI BIOTECH	58,807	-
TCI JAPAN	43,578	-
BIOSCIENCE	41,014	-
Other	20,262	73,596
	403,315	713,462

	Year ended December 31, 2019	Year ended December 31, 2018
Other receivables:		
Subsidiary and second-tier subsidiary		
BIOFUNCTION	$ 66,140	$ 13,317
TCI BIOTECH	-	6,043
Other	1,233	1,144
	67,373	20,504
	$ 470,688	$ 733,966

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:

	Year ended December 31, 2019	Year ended December 31, 2018
Accounts payable:		
Subsidiary and second-tier subsidiary		
Other	$ 144,742	$ 91,918

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:

	Year ended December 31, 2019	Year ended December 31, 2018
Other payables:		
Subsidiary and second-tier subsidiary		
Other	$ 23,948	$ 32,257

Other payables to related parties are incurred from services received.

H. Contract liabilities:

	December 31, 2019	December 31, 2018
Contract liabilities:		
Subsidiary		
BIOFUNCTION	$ 568,402	$ -

Contract liabilities from related parties are mainly advance sales receipts from related parties.

(3) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 59,628	$ 21,990
Share-based payments	90,294	39,004
	$ 149,922	$ 60,994

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2019	December 31, 2018	Purpose
Property, plant and equipment	$ 394,890	$ 410,222	Short-term and long-term borrowings

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	December 31, 2019	December 31, 2018
Property, plant and equipment	$ 566,365	$ 834,077

B. Operating lease agreements

Please refer to Note 6(28).

C. As of December 31, 2019 and 2018, the Company's total unused letters of credit was $25,685 and $307,757, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. 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.

B. Please refer to Note 12(2).

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

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 23,568	$ 23,568
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	$ 1,025,245	$ 1,424,323
Notes receivable	2,940	2,980
Accounts receivable	221,091	191,618
Accounts receivable-related parties	403,315	713,462
Other receivables	12,871	28,570
Other receivables-related parties	67,373	20,504
Guarantee deposits paid	27,322	21,914
	$ 1,760,157	$ 2,403,371

	December 31, 2019	December 31, 2018
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated as at fair value through profit or loss	$ -	$ 85
Financial liabilities at amortised cost		
Notes payable	$ 2,520	$ 252,318
Accounts payable	711,117	1,092,086
Accounts payable-related parties	144,742	91,918
Other accounts payable	788,401	590,688
Other accounts payable-related parties	23,948	32,257
Corporate bonds payable (including current portion)	431,389	494,446
Short-term borrowings	200,000	-
	$ 2,302,117	$ 2,553,713

B. Financial risk management policies

(a) 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.

(b) On March 3, 2020, the Board of Directors of the Company during their meeting resolved the provision of loans to the Company from subsidiaries, SHANGHAI BIOSCIENCE CO., LTD. and SHANGHAI BIOFUNCTION CO., LTD.

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, 2019		
(Foreign currency: functional currency)		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets				
Monetary items				
RMB:NTD	RMB	211,561	4.3050	$ 910,770
USD:NTD	USD	7,682	29.9800	230,306
JPY:NTD	JPY	525,748	0.2760	145,106
SGD:NTD	SGD	2,578	22.2800	57,438
EUR:NTD	EUR	1,545	33.5900	51,897
Financial liabilities				
Monetary items				
RMB:NTD	RMB	45,129	4.3050	$ 194,280
JPY:NTD	JPY	535,298	0.2760	147,742
USD:NTD	USD	2,038	29.9800	61,099
EUR:NTD	EUR	1,528	33.5900	51,326

(Foreign currency: functional currency)		December 31, 2018 Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets				
Monetary items				
RMB:NTD	RMB	266,301	4.4720	$ 1,190,898
USD:NTD	USD	4,610	30.7150	141,596
EUR:NTD	EUR	2,334	35.2000	82,157
SGD:NTD	SGD	2,459	22.4800	55,278
JPY:NTD	JPY	149,452	0.2782	41,578
Financial liabilities				
Monetary items				
JPY:NTD	JPY	196,020	0.2782	$ 54,533
EUR:NTD	EUR	1,413	35.2000	49,738
USD:NTD	USD	1,294	30.7150	39,745
RMB:NTD	RMB	7,098	4.4720	31,742

iii. The total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018, amounted to ($8,475) and $541, respectively.

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

	Year ended December 31, 2019		
	Sensitivity analysis		
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
RMB:NTD	1%	$ 9,108	$ -
USD:NTD	"	2,303	-
JPY:NTD	"	1,451	-
SGD:NTD	"	574	-
EUR:NTD	"	519	-
Financial liabilities			
Monetary items			
RMB:NTD	1%	$ 1,943	$ -
JPY:NTD	"	1,477	-
USD:NTD	"	611	-
EUR:NTD	"	513	-

	Year ended December 31, 2018			
	Sensitivity analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss		Effect on other comprehensive income
Financial assets				
Monetary items				
RMB:NTD	1%	$	11,909	$ -
USD:NTD	"		1,416	-
EUR:NTD	"		822	-
SGD:NTD	"		553	-
JPY:NTD	"		416	-
Financial liabilities				
Monetary items				
JPY:NTD	1%	$	545	$ -
EUR:NTD	"		497	-
USD:NTD	"		397	-
RMB:NTD	"		317	-

v. Taking into account fluctuations in foreign exchange rates, on March 3, 2020, the Board of Directors of the Company at their meeting resolved to plan procedures to mitigate exchange rate risk under the limit of RMB 900 million.

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 companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2019 and 2018 would have increased/decreased by $236 and $236, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2019 and 2018, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.

ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 0.1% with all other variables held constant, profit, net of tax for the years ended December 31, 2019 and 2018 would have increased/decreased by \$160 and \$0, 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, 2019 and 2018, the loss rate methodology is as follows:

	Group A	Group B	Group C	Group D	Total
At December 31, 2019					
Expected loss rate	0.23%	20.23%	100.00%	100.00%	
Total book value	\$ 165,608	\$ 88,334	\$ 1,921	\$ -	\$ 255,863
Loss allowance	\$ 381	\$ 29,530	\$ 1,921	\$ -	\$ 31,832

	Group A	Group B	Group C	Group D	Total
At December 31, 2018					
Expected loss rate	0.23%	20.23%	100.00%	100.00%	
Total book value	\$ 159,688	\$ 44,223	\$ -	\$ 22,519	\$ 226,430
Loss allowance	\$ 366	\$ 8,946	\$ -	\$ 22,519	\$ 31,832

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

	2019			
	Accounts receivable		Notes receivable	
At January 1	$	31,832	$	-
Provision for impairment		-		-
At December 31	$	31,832	$	-

	2018			
	Accounts receivable		Notes receivable	
At January 1 _IAS39	$	15,202	$	-
Adjustments under new standards		-		-
At January 1_IFRS 9		15,202		-
Provision for impairment		16,630		-
At December 31	$	31,832	$	-

(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 (Note 6(14)) at all times so that the Company does not breach borrowing limits or covenants (where applicable) 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, 2019 and 2018, the Company has undrawn borrowing facilities of $1,912,077 and $884,344, 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, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short term borrowings	$ 200,000	$ -	
Notes payable	2,520	-	-
Accounts payable (including related parties)	855,859	-	-
Other payables (including related parties)	812,349	-	-
Convertible bonds	-	439,820	-

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Notes payable	$ 252,318	$ -	$ -
Accounts payable (including related parties)	1,184,004	-	-
Other payables (including related parties)	622,945	-	-
Convertible bonds	-	-	507,600

(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:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ 1,196	$ -	$ 22,372	$ 23,568
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Call and put options of corporate bonds	$ -	$ -	$ -	$ -

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ 1,196	$ -	$ 22,372	$ 23,568
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss call and put options of corporate bonds	$ -	$ 85	$ -	$ 85

(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, 2019 and 2018, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	2019	2018
	Equity instrument-unlisted shares	
At January 1	$ 22,372	$ 3,057
Acquired in the period	-	22,000
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	(631)
Sold in the period	-	(2,054)
At December 31	$ 22,372	$ 22,372

F. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

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

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

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 22,372	Discounted cash flow	Long-term revenue growth rate	15%	The higher the long-term revenue growth rate, the higher the fair value;
			Weighted average cost of capital	9.41%	the higher the discount rate, the lower the fair value.

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 22,372	Market comparable companies	Price to earnings ratio multiple	1.38~1.83	The higher the value of net assets, the higher the fair value;
			Discount for lack of marketability	19.89% ~21.04%	the higher the discount for lack of marketability, the lower the fair value.

I. The 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:

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

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

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

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

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

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Please refer to table 2.

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

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

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

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

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

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland

China)：Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

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

14. SEGMENT INFORMATION

None.

TCI CO., LTD.

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

December 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2019				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
TCI CO., LTD.	BILLION ELECTRIC CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	125,039	$ 1,196	0.12	$ 1,196	
TCI CO., LTD.	LIN LIE INTEGRATION CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	54,000	372	3.48	372	
TCI CO., LTD.	PURE MILK CO., LTD.	The company was an institutional shareholder of PURE MILK CO., LTD..	Financial assets at fair value through other comprehensive income - non-current	403,333	22,000	10.00	22,000	
TCI LIVING CO., LTD.	Chun Ling International Co., Ltd.	The company was an institutional shareholder of Chun Ling International Co., Ltd..	Financial assets at fair value through other comprehensive income - non-current	228,000	2,280	19.00	2,280	

TCI CO., LTD.

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

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
TCI CO., LTD.	Land and buildings located in Neihu Dist., Taipei City	2019/1/9	$ 54,250	Based on the agreement	CHAINWIN C.M.M CO., LTD.	-	Not applicable	Not applicable	Not applicable	Not applicable	Market prices and appraisal report	For expanding the scope of operations	None
TCI CO., LTD.	Land and buildings located in Neihu Dist., Taipei City	2019/1/9	184,342	Based on the agreement	LITE PUTER ENTERPRISE CO., LTD.	-	Not applicable	Not applicable	Not applicable	Not applicable	Market prices and appraisal report	For expanding the scope of operations	None
TCI CO., LTD.	Land and buildings located in Neihu Dist., Taipei City	2019/10/30	188,385	Based on the agreement	Yuyang Enterprise CO., LTD. and Chuenchiou Interior Design CO.. LTD	-	Not applicable	Not applicable	Not applicable	Not applicable	Market prices and appraisal report	For expanding the scope of operations	None

Note 1: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

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

TCI CO., LTD.

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

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	Subsidiary	(Sales)	$ 3,150,690	(49.76)	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.	$ -	-	
TCI CO., LTD.	TCI BIOTECH LLC	Subsidiary	(Sales)	148,431	(2.34)	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.	58,807	9.37	
TCI CO., LTD.	TCI JAPAN CO., LTD.	Subsidiary	Purchases	387,524	9.37	60-90 days	The prices and terms of sales and purchases are available to third parties.	Terms for payments are approximately the same as those with third parties.	-	-	
TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	Subsidiary	(Sales)	1,296,483	(20.47)	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.	239,654	38.20	
TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	Subsidiary	Purchases	136,677	3.31	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.	(87,933)	(10.24)	
SHANGHAI BIOCOSME CO., LTD.	SHANGHAI BIOSCIENCE CO., LTD.	Sibling subsidiary	(Sales)	105,692	(37.92)	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.	-	-	
TCI JAPAN CO., LTD.	Daido Pharmaceutical Corporation	Other related party	Purchase and processing	228,902	62.61	30-60 days	No similar transaction can be compared with.	The payment term is 30~60 days after monthly billings	(29,278)	(28.46)	

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, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019		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	$ 239,654	10.82	$ -	-	$ 239,654	$ -

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, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	1	Sales of goods	$ 3,150,690	The prices and terms of sales and purchases are available to third parties.	32.94
0	TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	1	Sales of goods	1,296,483	The prices and terms of sales and purchases are available to third parties.	13.55
0	TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	1	Accounts receivable	239,654	The prices and terms of sales and purchases are available to third parties.	2.21

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, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2019	Initial investment amount: Balance as at December 31, 2018	Shares held as at December 31, 2019: Number of shares	Shares held as at December 31, 2019: Ownership (%)	Shares held as at December 31, 2019: Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income(loss) recognised by the Company for the year ended December 31, 2019	Footnote
TCI CO., LTD.	TCI FIRSTEK CORP.	R.O.C	Wholesale and retail of health foods and cosmetics	$ 43,685	$ 43,685	183,106,697	100.00	$ 2,741,022	$ 613,225	$ 613,225	None
TCI CO., LTD.	GENE & NEXT INC.	R.O.C	Research and development of biotechnology and genetics	64,250	64,250	6,425,000	61.19	105,353	56,654	34,667	None
TCI CO., LTD.	TCI HK LIMITED	Hong Kong	Trading health foods and cosmetics	21,046	21,046	-	100.00	13,743	(33)	(33)	None
TCI CO., LTD.	TCI BIOTECH LLC	U.S.A.	Trading health foods and cosmetics	8,778	8,778	-	100.00	3,577	(4,583)	(4,583)	None
TCI CO., LTD.	BIOCOSME CO., LTD.	R.O.C	Trading health foods and cosmetics	5,000	5,000	500,000	100.00	5,006	6	6	None
TCI CO., LTD.	TCI JAPAN CO., LTD.	JAPAN	Trading health foods and cosmetics	15,626	-	5,500	100.00	21,089	6,076	6,076	None
GENE & NEXT INC.	GLUX HK LIMITED	Hong Kong	Trading health foods and cosmetics	29,542	29,542	-	100.00	(100)	(3,206)	(1,962)	None
GENE & NEXT INC.	TCI LIVING CO., LTD.	R.O.C	Trading health foods and cosmetics	43,175	43,175	2,760,000	79.31	34,152	2,168	340	None
TCI LIVING CO., LTD.	SBI GROUP HK LIMITED	Hong Kong	Trading health foods and cosmetics	-	-	-	100.00	4,016	4	3	None
TCI CO., LTD.	PT TCI BIOTEK INDO	Indonesia	Trading health foods and cosmetics	-	-	-	100.00	90	90	90	Note 3
TCI CO., LTD.	TCI BIOTECH NETHERLANDS B.V.	Nederland	Trading health foods and cosmetics	-	-	-	100.00	-	-	-	Note 3

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

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

(1)The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held as at December 31, 2019' 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, 2019' 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, 2019' 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, 2019.

TCI CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
SHANGHAI BIOTRADE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetic manufacturing	$ 15,290	Note 3	$ 15,440	$ -	$ -	$ 15,440	$ 616,951	100.00	$ 616,951	$ 2,893,295	$ 289,047	Note 5 Note 6
SHANGHAI BIOSCIENCE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	25,830	Note 2	-	-	-	-	563,360	100.00	563,360	2,686,122	-	Note 5 Note 6
SHANGHAI BIOCOSME CO., LTD.	Producing cosmetics	142,065	Note 2	-	-	-	-	28,761	100.00	28,761	147,488	-	Note 5 Note 6
SHANGHAI BIOFUNCTION CO., LTD.	Producing health foods	1,373,216	Note 1	438,307	-	-	438,307	977,079	100.00	973,925	3,314,359	-	Note 5 Note 6
BIO DYNAMIC LABORATORIES INC.	Trading health foods and cosmetics	28,482	Note 3	-	-	-	-	(1,762)	48.53	(1,078)	2,779	-	Note 5 Note 6
SHANGHAI BIOTECHGENE TECHNOLOGY CO., LTD.	Research and development of biotechnology and genetics	43,050	Note 4	-	-	-	-	393	100.00	393	43,429	-	Note 5 Note 6

Note 1：Reinvestments in a company in Mainland China through parent company in Taiwan and SHANGHAI BIOSCIENCE CO., LTD.. (USD$14,400 and RMB$218,700)
Note 2：Reinvestments in a company in Mainland China through SHANGHAI BIOTRADE CO., LTD.
Note 3：Reinvestments in a company in Mainland China through domestic subsidiary company.
Note 4：Reinvestments in a company in Mainland China through SHANGHAI BIOSCIENCE CO., LTD.
Note 5：The financial statements that are 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, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
TCI CO., LTD.	$ 438,307	$ 749,500	$ 4,324,501
TCI FIRSTEK CORP.	15,440	15,440	1,726,237

Note 6：The numbers in this table are expressed in New Taiwan dollars, except for: assets and liabilities presents at RMB$1：NTD$4.3050, USD$1：NTD$29.9800; income presents at RMB$1：NTD$4.4686, USD$1：NTD$30.9100;
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, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at December 31, 2019	%	Balance at December 31, 2019	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate	Interest during the year ended December 31, 2019	
SHANGHAI BIOFUNCTION CO., LTD.	$ 3,150,690	49.76	$ -	-	$ -	-	$ -	-	$ -	$ -	-	$ -	
SHANGHAI BIOTRADE CO., LTD.	$ 1,296,483	(9.37)	$ -	-	$ 239,654	38.20	$ -	-	$ -	$ -	-	$ -	

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

President: Yung-hsiang Lin