TCI CO., LTD.

PARENT COMPANY ONLY FINANCIAL

STATEMENTS AND REPORT OF INDEPENDENT

ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

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

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

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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)

			Year ended December 31			
			2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
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)

		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, 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

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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

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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) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(5) Cash equivalents

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

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

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

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

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

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

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

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

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

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

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

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

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

(8) 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) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

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

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

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

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

(11) 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.

(12) Investments accounted for using equity method / subsidiary

A. Subsidiaries are all entities (including structured entity) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-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) Property, plant and equipment

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

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

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

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

Buildings and structures	3 ~ 50 years
Machinery and equipment	2 ~ 10 years

Office equipment	1 ~ 16 years
Other	1 ~ 10 years

(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) 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.

(27) Dividends

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

(28) Revenue recognition

A. The 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	$ 32	$ 94
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	Years ended December 31, 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	$ 698,191	$ 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	$ 223,376	$ 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	-
	$ 4,060	$ 4,593

(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	$	66,052	$	688,654

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:

(Foreign currency: functional currency)	Year ended December 31, 2019 Sensitivity analysis 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:

			December 31, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount for lack of marketability	±5%	$ -	$ -	$ 1,119	$ 1,119

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount for lack of marketability	±5%	$ -	$ -	$ 1,119	$ 1,119

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

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

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

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

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Please refer to table 2.

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

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

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

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

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

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland

China)：Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

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

14. SEGMENT INFORMATION

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)

				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.

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		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
					Remitted to Mainland China	Remitted back to Taiwan							
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				
	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	Others
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.