TCI CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REVIEW REPORT

MARCH 31, 2020 AND 2019

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of TCI CO., LTD. and subsidiaries (the "Group") as at March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Hsu, Ming-Chuan   Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

April 30, 2020

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

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

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2020, DECEMBER 31, 2019 AND MARCH 31, 2019
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

	Assets	Notes	March 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%	March 31, 2019 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 3,289,204	31	$ 3,848,194	36	$ 3,628,211	35
1136	Current financial assets at amortised cost	6(1)	442,500	4	433,490	4	761,680	7
1150	Notes receivable, net	6(3)	7,278	-	5,840	-	4,054	-
1170	Accounts receivable, net	6(3)	712,151	7	601,553	6	961,275	9
1180	Accounts receivable - related parties	7	3,532	-	1,610	-	-	-
1200	Other receivables		21,774	-	18,500	-	35,305	-
1220	Current income tax assets	6(25)	3,807	-	3,807	-	-	-
130X	Inventories	6(4)	1,032,940	10	1,084,323	10	1,245,923	12
1410	Prepayments		313,196	3	273,066	2	213,003	2
1470	Other current assets		18,018	-	29,972	-	28,917	-
11XX	**Total current assets**		5,844,400	55	6,300,355	58	6,878,368	65
	Non-current assets							
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	25,848	-	25,848	-	25,848	-
1600	Property, plant and equipment	6(5)	2,666,603	25	2,488,439	23	2,208,233	21
1755	Right-of-use assets	6(6)	99,612	1	110,857	1	124,326	1
1780	Intangible assets	6(7)	32,824	-	31,196	-	28,388	-
1840	Deferred income tax assets	6(25)	61,101	1	34,199	1	50,128	1
1900	Other non-current assets	6(8) and 8	1,867,146	18	1,837,724	17	1,193,741	12
15XX	**Total non-current assets**		4,753,134	45	4,528,263	42	3,630,664	35
1XXX	**Total assets**		$ 10,597,534	100	$ 10,828,618	100	$ 10,509,032	100

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TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2020, DECEMBER 31, 2019 AND MARCH 31, 2019
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

			March 31, 2020		December 31, 2019		March 31, 2019	
	Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(9)	$ 448,620	4	$ 200,000	2	$ -	-
2120	Financial liabilities at fair value through profit or loss - current	6(10)	-	-	-	-	217	-
2130	Current contract liabilities	6(19)	566,959	5	579,789	5	994,308	10
2150	Notes payable		1,115	-	3,115	-	226,115	2
2170	Accounts payable		762,818	7	920,869	9	918,682	9
2180	Accounts payable - related parties	7	3,012	-	29,278	-	18,387	-
2200	Other payables	6(11)	829,517	8	1,083,081	10	828,637	8
2230	Current income tax liabilities	6(25)	298,030	3	238,430	2	330,899	3
2280	Current lease liabilities	6(6)	33,542	-	38,499	1	36,053	-
2399	Other current liabilities, others		38,444	1	37,071	-	92,086	1
21XX	**Total current liabilities**		2,982,057	28	3,130,132	29	3,445,384	33
	Non-current liabilities							
2530	Corporate bonds payable	6(12)	432,092	4	431,389	4	446,974	4
2540	Long-term borrowings		3,980	-	-	-	-	-
2570	Deferred income tax liabilities	6(25)	1,677	-	3,030	-	1,906	-
2580	Non-current lease liabilities	6(6)	39,148	1	44,888	-	58,480	1
2600	Other non-current liabilities		11,543	-	11,678	-	12,421	-
25XX	**Total non-current liabilities**		488,440	5	490,985	4	519,781	5
2XXX	**Total liabilities**		3,470,497	33	3,621,117	33	3,965,165	38
	Equity attributable to owners of parent							
	Share capital	6(15)						
3110	Share capital - common stock		1,196,172	11	1,196,172	11	1,026,076	10
3140	Advance receipts for share capital		-	-	-	-	1,347	-
	Capital surplus	6(16)						
3200	Capital surplus		2,610,403	24	2,600,733	24	2,322,322	22
	Retained earnings	6(17)						
3310	Legal reserve		396,403	4	396,403	4	216,913	2
3320	Special reserve		168,346	2	168,346	2	120,366	1
3350	Unappropriated retained earnings		3,564,680	34	3,192,547	29	2,899,440	28
	Other equity interest	6(18)						
3400	Other equity interest		(449,596)	(5)	(421,126)	(4)	(92,349)	(1)
3500	**Treasury shares**	6(15)	(438,038)	(4)	-	-	-	-
31XX	**Equity attributable to owners of the parent**		7,048,370	66	7,133,075	66	6,494,115	62
36XX	**Non-controlling interest**		78,667	1	74,426	1	49,752	-
3XXX	**Total equity**		7,127,037	67	7,207,501	67	6,543,867	62
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	**Total liabilities and equity**		$ 10,597,534	100	$ 10,828,618	100	$ 10,509,032	100

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

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)
(Reviewed, not audited)

	Items	Notes	2020 AMOUNT	2020 %	2019 AMOUNT	2019 %
4000	**Sales revenue**	6(19)	$ 1,805,164	100	$ 2,584,097	100
5000	**Operating costs**	6(4)(13)(23)(24)	(1,008,945)	(56)	(1,480,087)	(57)
5900	**Net operating margin**		796,219	44	1,104,010	43
	Operating expenses	6(13)(23)(24)				
6100	Selling expenses		(127,136)	(7)	(138,910)	(6)
6200	General and administrative expenses		(139,576)	(8)	(145,732)	(6)
6300	Research and development expenses		(113,088)	(6)	(111,884)	(4)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9		-	-	(276)	-
6000	**Total operating expenses**		(379,800)	(21)	(396,802)	(16)
6900	**Operating profit**		416,419	23	707,208	27
	Non-operating income and expenses					
7010	Other income	6(20)	26,609	1	39,225	1
7020	Other gains and losses	6(21)	14,348	1	20,599	1
7050	Finance costs	6(22)	(2,196)	-	(2,428)	-
7000	**Total non-operating income and expenses**		38,761	2	57,396	2
7900	**Profit before income tax**		455,180	25	764,604	29
7950	Income tax expense	6(25)	(78,798)	(4)	(137,077)	(5)
8200	**Profit for the period**		$ 376,382	21	$ 627,527	24
	Other comprehensive income					
	Other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(18)	($ 49,240)	(3)	$ 78,604	3
8300	**Total other comprehensive (loss) income for the period**		($ 49,240)	(3)	$ 78,604	3
8500	**Total comprehensive income for the period**		$ 327,142	18	$ 706,131	27
	Profit attributable to:					
8610	Owners of the parent		$ 372,133	21	$ 623,009	24
8620	Non-controlling interest		4,249	-	4,518	-
			$ 376,382	21	$ 627,527	24
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 322,901	18	$ 701,535	27
8720	Non-controlling interest		4,241	-	4,596	-
			$ 327,142	18	$ 706,131	27
	Earnings per share (In dollars)	6(26)				
9750	**Basic earnings per share**		$ 3.13		$ 5.28	
9850	**Diluted earnings per share**		$ 3.09		$ 5.22	

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

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

		Equity attributable to owners of the parent												
		Share capital			Retained earnings			Other equity interest						
	Notes	Share capital - common stock	Advance receipts for share capital	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Other equity - others	Treasury shares	Total	Non-controlling interest	Total equity
For the three-month period ended March 31, 2019														
Balance at January 1, 2019		$ 1,022,321	$ 3,755	$ 2,256,871	$ 216,913	$ 120,366	$ 2,276,431	($ 156,770)	($ 11,576)	($ 4,425)	$ -	$ 5,723,886	$ 45,156	$ 5,769,042
Profit for the period		-	-	-	-	-	623,009	-	-	-	-	623,009	4,518	627,527
Other comprehensive income for the period		-	-	-	-	-	-	78,526	-	-	-	78,526	78	78,604
Total comprehensive income	6(18)	-	-	-	-	-	623,009	78,526	-	-	-	701,535	4,596	706,131
Conversion of convertible bonds into shares	6(12)(15)(16)	3,755	(2,408)	46,851	-	-	-	-	-	-	-	48,198	-	48,198
Share-based payments and employee restricted shares	6(14)(18)(24)	-	-	18,600	-	-	-	-	-	1,896	-	20,496	-	20,496
Balance at March 31, 2019		$ 1,026,076	$ 1,347	$ 2,322,322	$ 216,913	$ 120,366	$ 2,899,440	($ 78,244)	($ 11,576)	($ 2,529)	$ -	$ 6,494,115	$ 49,752	$ 6,543,867
For the three-months period ended March 31, 2020														
Balance at January 1, 2020		$ 1,196,172	$ -	$ 2,600,733	$ 396,403	$ 168,346	$ 3,192,547	($ 314,133)	($ 11,576)	($ 95,417)	$ -	$ 7,133,075	$ 74,426	$ 7,207,501
Profit for the period		-	-	-	-	-	372,133	-	-	-	-	372,133	4,249	376,382
Other comprehensive loss for the period	6(18)	-	-	-	-	-	-	(49,232)	-	-	-	(49,232)	(8)	(49,240)
Total comprehensive income (loss)		-	-	-	-	-	372,133	(49,232)	-	-	-	322,901	4,241	327,142
Share-based payments and employee restricted shares	6(14)(18)(24)	-	-	9,670	-	-	-	-	-	20,762	-	30,432	-	30,432
Purchase of treasury shares	6(15)	-	-	-	-	-	-	-	-	-	(438,038)	(438,038)	-	(438,038)
Balance at March 31, 2020		$ 1,196,172	$ -	$ 2,610,403	$ 396,403	$ 168,346	$ 3,564,680	($ 363,365)	($ 11,576)	($ 74,655)	($ 438,038)	$ 7,048,370	$ 78,667	$ 7,127,037

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

TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Three-month periods ended March 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 455,180	$ 764,604
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12(2)	-	276
Net loss on financial assets at fair value through profit or loss	6(10)(21)	-	103
(Gain) loss on disposal of property, plant and equipment	6(21)	(105)	71
Depreciation	6(5)(6)(23)	73,898	57,406
Amortisation	6(7)(23)	4,179	2,460
Interest income	6(20)	(3,985)	(13,957)
Interest expense	6(22)	2,196	2,428
Compensation cost arising from employee stock options	6(14)	30,432	20,496
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(1,438)	20,862
Accounts receivable		(110,598)	(441,502)
Accounts receivable - related parties		(1,922)	-
Other receivables		(3,274)	3,024
Inventories		51,383	85,602
Prepayments		(40,130)	12,829
Other current assets		11,954	14,659
Changes in operating liabilities			
Contract liabilities - current		(12,830)	(235,333)
Notes payable		(2,000)	(27,086)
Accounts payable		(158,051)	(416,908)
Accounts payable - related parties		(26,266)	18,387
Other payables		(189,228)	(13,089)
Other current liabilities		1,373	31,223
Cash inflow (outflow) generated from operations		80,768	(113,445)
Interest received		3,985	13,910
Interest paid		(1,165)	(110)
Income tax paid		(46,762)	(103,405)
Net cash flows from (used in) operating activities		36,826	(203,050)

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TCI CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Three-month periods ended March 31 2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(28)	($ 73,802)	($ 224,954)
Proceeds from disposal of property, plant and equipment		105	-
Decrease (increase) in refundable deposits	6(8)	843	(980)
Acquisition of intangible assets	6(7)	(5,810)	(5,582)
Increase in other non-current assets		(1,126)	(2,565)
Increase in financial assets at amortised cost		(9,010)	(113,240)
Increase in prepayments for purchase of equipment		(277,872)	(275,620)
Net cash flows used in investing activities		(366,672)	(622,941)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		379,240	-
Payment of short-term borrowings		(127,433)	(12,000)
Proceeds from long-term borrowings		3,980	-
(Decrease) increase in guarantee deposits received		(135)	739
Lease liabilities paid	6(6)	(10,469)	(9,288)
Payments to acquire treasury shares	6(15)	(438,038)	-
Net cash flows used in financing activities		(192,855)	(20,549)
Effects due to changes in exchange rate		(36,289)	57,206
Net decrease in cash and cash equivalents		(558,990)	(789,334)
Cash and cash equivalents at beginning of period	6(1)	3,848,194	4,417,545
Cash and cash equivalents at end of period	6(1)	$ 3,289,204	$ 3,628,211

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

TCI CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars,
except as otherwise indicated)
(Reviewed, not audited)

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were reported to the Board of Directors on April 30, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

None.

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

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

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

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

4. SUMMARY OF SIGNIFICANTACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.

(2) Basis of preparation

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

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

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

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) March 31, 2020	Ownership (%) December 31, 2019	Ownership (%) March 31, 2019	Description
TCI CO., LTD.	TCI FIRSTEK CORP.	Wholesale and retail of health foods and cosmetics	100	100	100	Note 1
TCI CO., LTD.	GENE & NEXT INC.	Research and development of biotechnology and genetics	61.19	61.19	61.19	Note 1
TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	Producing health foods	34.76	34.76	34.76	Note 1
TCI CO., LTD.	TCI HK LIMITED	Trading health foods and cosmetics	100	100	100	Note 1
TCI FIRSTEK CORP.	SHANGHAI BIOTRADE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	100	100	100	Note 2
GENE & NEXT INC.	GLUX HK LIMITED	Trading health foods and cosmetics	100	100	100	Note 2
SHANGHAI BIOTRADE CO., LTD.	SHANGHAI BIOSCIENCE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	100	100	100	Note 3
SHANGHAI BIOTRADE CO., LTD.	SHANGHAI BIOCOSME CO., LTD.	Producing cosmetics	100	100	100	Note 3

Name of investor	Name of subsidiary	Main business activities	Ownership (%) March 31, 2020	December 31, 2019	March 31, 2019	Description
SHANGHAI BIOSCIENCE CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	Producing health foods	65.24	65.24	65.24	Note 1
TCI CO., LTD.	TCI BIOTECH LLC	Trading health foods and cosmetics	100	100	100	Note 1
TCI CO., LTD.	BIOCOSME CO., LTD.	Trading health foods and cosmetics	100	100	100	Note 1 Note 4
GENE & NEXT INC.	TCI LIVING CO., LTD.	Trading health foods and cosmetics	79.31	79.31	100	Note 2 Note 5 Note 6
TCI LIVING CO., LTD.	BIO DYNAMIC LABORATORIES INC.	Trading health foods and cosmetics	100	100	100	Note 3 Note 4 Note 7
TCI LIVING CO., LTD.	SBI GROUP HK LIMITED	Trading health foods and cosmetics	100	100	100	Note 3 Note 4 Note 7
TCI CO., LTD.	TCI JAPAN CO., LTD.	Trading health foods and cosmetics	100	100	100	Note 1
TCI CO., LTD.	PT TCI BIOTEK INDO	Trading health foods and cosmetics	100	100	100	Note 1 Note 8
SHANGHAI BIOSCIENCE CO., LTD.	SHANGHAI BIOTECH GENE TECHNOLOGY CO., LTD.	Research and development of biotechnology and genetics	100	100	100	Note 3
TCI CO., LTD.	TCI BIOTECH NETHERLANDS B.V.	Trading health foods and cosmetics	100	100	-	Note 1 Note 5 Note 8

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

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

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

Note 4: BIO DYNAMIC LABORATORIES INC. and SBI GROUP HK LIMITED were 100% held by SBI CO., LTD. before the share transfer transaction.

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

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

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

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

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

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

E. Significant restrictions:

Cash and short-term deposits of $2,362,522 deposited in mainland China are under local foreign exchange control which restricts the capital to be remitted outside the borders (except for normal dividend distribution).

F. Subsidiaries that have non-controlling interests that are material to the Group:

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

		Non-controlling interests			
		March 31, 2020		March 31, 2019	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
GENE & NEXT INC.	Taiwan	$ 71,001	38.81	$ 49,752	38.81

Summarised financial information of the subsidiaries:

Balance sheets

	GENE & NEXT INC.	
	March 31, 2020	March 31, 2019
Current assets	$ 145,599	$ 94,164
Non-current assets	58,638	62,301
Current liabilities	(21,289)	(28,270)
Total net assets	$ 182,948	$ 128,195

Statements of comprehensive income

	GENE & NEXT INC.	
	Three-month periods ended March 31,	
	2020	2019
Revenue	$ 25,132	$ 27,945
Profit before income tax	13,551	14,219
Income tax expense	(2,763)	(2,579)
Profit for the period	10,788	11,640
Other comprehensive (loss) income, net of tax	(13)	202
Total comprehensive income for the period	$ 10,775	$ 11,842
Comprehensive income attributable to non-controlling interest	$ 4,182	$ 4,596
Dividends paid to non-controlling interest	$ -	$ -

Statements of cash flows

	GENE & NEXT INC.	
	Three-month periods ended March 31,	
	2020	2019
Net cash (used in) provided by operating activities	($ 7,504)	$ 34,777
Effect of exchange rate changes on cash and cash equivalents	(13)	202
(Decrease) increase in cash and cash equivalents	(7,517)	34,979
Cash and cash equivalents at beginning of period	113,366	29,001
Cash and cash equivalents at end of period	$ 105,849	$ 63,980

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

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

(5) <u>Classification of current and non-current items</u>

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash equivalents

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

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

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

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

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

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

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

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

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

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

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

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

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

(9) Financial assets at amortised cost

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

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

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

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

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

(10) Accounts and notes receivable

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

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

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

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

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

(13) Inventories

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

(14) Property, plant and equipment

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

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

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

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

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

(15) Leasing arrangements (lessee)-right-of-use assets/ lease liabilities

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

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

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

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

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

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

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

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

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

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

(16) Intangible assets

A. Trademarks and royalties

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

B. Computer software

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

C. Goodwill

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

(17) Impairment of non-financial assets

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

(18) Borrowings

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

(19) Notes and accounts payable

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

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

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

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

(a) Hybrid (combined) contracts; or

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

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

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

(21) Convertible bonds payable

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

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

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

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

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

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

(22) Derecognition of financial liabilities

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

(23) Offsetting financial instruments

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

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Termination benefits

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

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

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

(25) Employee share-based payment

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

B. Restricted stocks:

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

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

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

(26) Income tax

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

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

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

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

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

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

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

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

(27) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

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

(28) Dividends

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

(29) Revenue recognition

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

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

(30) Government grants

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

(31) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of March 31, 2020, the carrying amount of inventories was $1,032,940.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand and revolving funds	$ 2,535	$ 2,279	$ 2,106
Checking accounts and demand deposits	1,668,642	2,207,918	2,558,825
Time deposits	2,061,527	2,071,987	1,829,460
	3,732,704	4,282,184	4,390,391
Less: shown as 'current financial assets at amortised cost'	(442,500)	(433,490)	(761,680)
Less: Shown as 'other non-current assets - pledged'	(1,000)	(500)	(500)
	$ 3,289,204	$ 3,848,194	$ 3,628,211

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

B. As of March 31, 2020, December 31, 2019 and March 31, 2019, the Group recognised time deposits with maturity over 3 months of $442,500, $433,490 and $761,680, respectively, and shown as 'current financial assets at amortised cost'.

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

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

Items	March 31, 2020	December 31, 2019	March 31, 2019
Non-current items:			
Equity instruments			
Listed stocks	$ 12,604	$ 12,604	$ 12,604
Unlisted stocks	24,820	24,820	24,820
	37,424	37,424	37,424
Valuation adjustment	(11,576)	(11,576)	(11,576)
	$ 25,848	$ 25,848	$ 25,848

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $25,848, $25,848 and $25,848 as at March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

B. As of March 31, 2020, December 31, 2019 and March 31, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group amounted to $25,848, $25,848 and $25,848, respectively.

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

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

(3) Notes and accounts receivable

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable	$ 7,278	$ 5,840	$ 4,054
Less: Allowance for uncollectible accounts	-	-	-
	$ 7,278	$ 5,840	$ 4,054
Accounts receivable	$ 767,618	$ 657,270	$ 1,018,367
Less: Allowance for uncollectible accounts	(55,467)	(55,717)	(57,092)
	$ 712,151	$ 601,553	$ 961,275

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

	March 31, 2020	December 31, 2019	March 31, 2019
Not past due	$ 576,219	$ 414,171	$ 760,852
Up to 30 days	70,615	100,158	135,387
31 to 90 days	57,839	74,384	62,660
Over 90 days	14,756	18,680	6,430
	$ 719,429	$ 607,393	$ 965,329

The above ageing analysis was based on past due date.

B. As of March 31, 2020, December 31, 2019 and March 31, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable amounted to $7,278, $5,840 and $4,054; $712,151, $601,553 and $961,275, respectively.

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

(4) Inventories

	March 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 954,363	($ 30,875)	$ 923,488
Work in progress	29,275	(170)	29,105
Finished goods	93,384	(13,037)	80,347
	$ 1,077,022	($ 44,082)	$ 1,032,940

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

	March 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 943,858	($ 40,103)	$ 903,755
Work in progress	61,335	(182)	61,153
Finished goods	320,972	(39,957)	281,015
	$ 1,326,165	($ 80,242)	$ 1,245,923

The cost of inventories recognised as expense for the three-month periods ended March 31, 2020 and 2019, was $1,008,945 and $1,480,087, respectively. There was no write-down from cost to net realisable value accounted for as cost of goods sold.

(5) Property, plant and equipment

	Land	Buildings and structures	Machinery	Office equipment	Others	Total
At January 1, 2020						
Cost	$ 499,649	$ 1,170,229	$ 986,525	$ 217,590	$ 321,390	$ 3,195,383
Accumulated depreciation	-	(140,710)	(313,740)	(78,279)	(174,215)	(706,944)
	$ 499,649	$ 1,029,519	$ 672,785	$ 139,311	$ 147,175	$ 2,488,439
2020						
At January 1	$ 499,649	$ 1,029,519	$ 672,785	$ 139,311	$ 147,175	$ 2,488,439
Additions	-	243	5,259	551	3,413	9,466
Reclassifications	160,128	38,121	19,894	2,443	18,623	239,209
Depreciation charge	-	(13,021)	(32,451)	(5,355)	(12,781)	(63,608)
Net exchange differences	-	(4,265)	(2,150)	(60)	(428)	(6,903)
At March 31	$ 659,777	$ 1,050,597	$ 663,337	$ 136,890	$ 156,002	$ 2,666,603
At March 31, 2020						
Cost	$ 659,777	$ 1,203,763	$ 1,009,014	$ 220,422	$ 341,287	$ 3,434,263
Accumulated depreciation	-	(153,166)	(345,677)	(83,532)	(185,285)	(767,660)
	$ 659,777	$ 1,050,597	$ 663,337	$ 136,890	$ 156,002	$ 2,666,603

	Land	Buildings and structures	Machinery	Office equipment	Others	Total
At January 1, 2019						
Cost	$ 159,301	$ 1,118,919	$ 686,909	$ 204,716	$ 261,442	$ 2,431,287
Accumulated depreciation	-	(102,062)	(208,304)	(58,559)	(136,986)	(505,911)
	$ 159,301	$ 1,016,857	$ 478,605	$ 146,157	$ 124,456	$ 1,925,376
2019						
At January 1	$ 159,301	$ 1,016,857	$ 478,605	$ 146,157	$ 124,456	$ 1,925,376
Additions	201,305	36,894	2,792	1,392	1,186	243,569
Disposals	-	-	-	-	(71)	(71)
Reclassifications	139,043	(137,291)	56,383	9,994	10,476	78,605
Depreciation charge	-	(11,068)	(22,919)	(5,221)	(8,822)	(48,030)
Net exchange differences	-	5,142	2,693	119	830	8,784
At March 31	$ 499,649	$ 910,534	$ 517,554	$ 152,441	$ 128,055	$ 2,208,233
At March 31, 2019						
Cost	$ 499,649	$ 1,024,392	$ 749,409	$ 216,413	$ 275,246	$ 2,765,109
Accumulated depreciation	-	(113,858)	(231,855)	(63,972)	(147,191)	(556,876)
	$ 499,649	$ 910,534	$ 517,554	$ 152,441	$ 128,055	$ 2,208,233

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

(6) Leasing arrangements-lessee

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
	Carrying amount	Carrying amount	Carrying amount
Land	$ 28,425	$ 28,928	$ 31,313
Buildings	69,761	80,237	90,468
Transportation equipment (Business vehicles)	1,426	1,692	2,545
	$ 99,612	$ 110,857	$ 124,326

	Three-month periods ended March 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	$ 169	$ 179
Buildings	9,854	8,811
Transportation equipment (Business vehicles)	267	386
	$ 10,290	$ 9,376

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

D. For the three-month periods ended March 31, 2020 and 2019, there were no additions to right-of-use assets.

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

	Three-month periods ended March 31,	
	2020	2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 328	$ 409
Expense on short-term lease contracts	$ 9,957	$ 11,363
Expense on leases of low-value assets	$ 2,918	$ 3,159

For the three-month periods ended March 31, 2020 and 2019, the Group's total cash outflow for leases amounted to $23,344 and $23,810, respectively.

(7) Intangible assets

	Goodwill	Trademarks	Software	Royalty	Others	Total
At January 1, 2020						
Cost	$ 1,468	$ 4,855	$ 38,206	$ 2,750	$ 6,611	$ 53,890
Accumulated amortisation	-	(4)	(19,618)	(868)	(2,204)	(22,694)
	$ 1,468	$ 4,851	$ 18,588	$ 1,882	$ 4,407	$ 31,196
2020						
At January 1	$ 1,468	$ 4,851	$ 18,588	$ 1,882	$ 4,407	$ 31,196
Additions－						
acquired separately	-	-	5,810	-	-	5,810
Amortisation charge	-	(165)	(3,400)	(62)	(552)	(4,179)
Net exchange differences	-	(3)	-	-	-	(3)
At March 31	$ 1,468	$ 4,683	$ 20,998	$ 1,820	$ 3,855	$ 32,824
At March 31, 2020						
Cost	$ 1,468	$ 4,852	$ 39,152	$ 2,600	$ 6,611	$ 54,683
Accumulated amortisation	-	(169)	(18,154)	(780)	(2,756)	(21,859)
	$ 1,468	$ 4,683	$ 20,998	$ 1,820	$ 3,855	$ 32,824

	Goodwill	Trademarks	Software	Royalty	Other	Total
At January 1, 2019						
Cost	$ 1,468	$ 238	$ 35,391	$ 2,750	$ 6,611	$ 46,458
Accumulated amortisation	-	(238)	(20,475)	(479)	-	(21,192)
	$ 1,468	$ -	$ 14,916	$ 2,271	$ 6,611	$ 25,266
2019						
At January 1	$ 1,468	$ -	$ 14,916	$ 2,271	$ 6,611	$ 25,266
Additions－						
acquired separately	-	-	5,582	-	-	5,582
Amortisation charge	-	-	(1,808)	(101)	(551)	(2,460)
At March 31	$ 1,468	$ -	$ 18,690	$ 2,170	$ 6,060	$ 28,388
At March 31, 2019						
Cost	$ 1,468	$ -	$ 28,490	$ 2,750	$ 6,611	$ 39,319
Accumulated amortisation	-	-	(9,800)	(580)	(551)	(10,931)
	$ 1,468	$ -	$ 18,690	$ 2,170	$ 6,060	$ 28,388

Details of amortisation on intangible assets are as follows:

	Three-month periods ended March 31,	
	2020	2019
Overhead	$ 151	$ -
Selling expenses	788	34
Administrative expenses	2,582	2,322
Research and development expenses	658	104
	$ 4,179	$ 2,460

(8) Other non-current assets

	March 31, 2020	December 31, 2019	March 31, 2019
Prepayments for construction business facilities	$ 1,826,100	$ 1,796,961	$ 1,150,864
Guarantee deposits paid	33,648	34,491	28,260
Pledged deposit	1,000	500	500
Other non-current assets	6,398	5,772	14,117
	$ 1,867,146	$ 1,837,724	$ 1,193,741

(9) Short-term borrowings

Type of borrowings	March 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 200,000	1.07%	None
Unsecured borrowings	248,620	3.08%~3.60%	None
	$ 448,620		

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

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

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

Items	March 31, 2020	December 31, 2019	March 31, 2019
Current items:			
Call and put options of corporate bonds	$ -	($ 261)	($ 272)
Valuation adjustment	-	261	489
	$ -	$ -	$ 217

Amounts recognised in net gain (loss) in relation to financial (assets) liabilities at fair value through profit or loss were $0 and ($103) for the three-month periods ended March 31, 2020 and 2019, respectively.

(11) Other payables

	March 31, 2020	December 31, 2019	March 31, 2019
Salaries and bonuses payable	$ 354,108	$ 502,073	$ 232,956
Employee bonus payable	300,919	275,580	286,355
Payable on machinery and equipment	46,087	110,423	82,749
Tax payables	5,026	44,396	20,628
Other payables	123,377	150,609	205,949
	$ 829,517	$ 1,083,081	$ 828,637

(12) Bonds payable

	March 31, 2020	December 31, 2019	March 31, 2019
Bonds payable	$ 435,400	$ 435,400	$ 453,500
Less: Discount on bonds payable	(3,308)	(4,011)	(6,526)
	432,092	431,389	446,974
Less: Current portion or exercise of put options	-	-	-
	$ 432,092	$ 431,389	$ 446,974

The issuance of second domestic convertible bonds by the Company in the year 2018:

A. The terms of the second domestic unsecured convertible bonds issued are as follows:

(a) The Company issued $1,200,000, 0% second domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (June 8, 2018 ~ June 8, 2021) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on June 8, 2018.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue before the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted; however, the reset conversion price shall not be less than 80% of the conversion price set on the issue date.

(d) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 1.015075% of the face value as interests upon two years from the issue date.

(e) The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.

(f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the

Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

B. For the three-month period ended March 31, 2020, there were no bonds converted into common shares.

C. Regarding the issuance of convertible bonds, the equity conversion options amounting to $24,360 were separated from the liability component and were recognised in 'capital surplus—share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets at fair value through profit or loss' in net amount of $720 in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 0.6654%.

(13) Pensions

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

B. The Group's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the three-month periods ended March 31, 2020 and 2019 were all 20%. Other than the monthly contributions, the Group has no further obligations.

C. The pension costs under the defined contribution pension plans of the Group for the three-month periods ended March 31, 2020 and 2019 were $9,993 and $11,798, respectively.

(14) Share-based payment

A. For the three-month periods ended March 31, 2020 and 2019, the Group's share-based payment arrangements were as follows:

Type of arrangement	Issuance date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2016.07.01	2,000	6 years	Employees with 2 service years are entitled to 30% Employees with 3 service years are entitled to 60% Employees with 4 service years are entitled to 100%
Restricted stocks to employees	2016.07.20	600	3 years	Employees with 1 service year are entitled to 33% Employees with 2 service years are entitled to 66% Employees with 3 service years are entitled to 100% Operating revenue growth rate 30% (year) Maintaining profit rate after tax above 10% Earnings per share exceeds $3.0 (including $3.0)
Employee stock options	2018.05.15	2,000	6 years	Employees with 2 service years are entitled to 40% Employees with 3 service years are entitled to 80% Employees with 4 service years are entitled to 100%
Restricted stocks to employees	2019.09.30	900	3 years	Employees with 1 service year are entitled to 33% Employees with 2 service years are entitled to 66% Employees with 3 service years are entitled to 100% Profit rate before tax in the previous financial statements is no less than 20%

The restricted stocks issued by the Company cannot be transferred during the vesting period, but voting right and dividend right are not restricted on these stocks. Employees are required to return the stocks but not required to return the dividends received if they resign during the vesting period. The share-based payment arrangements above are settled by equity.

B. Details of the share-based payment arrangements are as follows:

	Three-month periods ended March 31,			
	2020		2019	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	718	$ 100	1,263	$ 100
Options expired	(2)	100	-	-
Options exercised	-	-	-	-
Options outstanding at the end of the period	716	$ 100	1,263	$ 100
Options exercisable at the end of the period	10	$ 100	17	$ 100

	Three-month periods ended March 31,			
	2020		2019	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	1,827	$ 448	2,000	$ 448
Options expired	-	-	-	-
Options granted	-	-	-	-
Options outstanding at the end of the period	1,827	$ 448	2,000	$ 448
Options exercisable at the end of the period	-	$ 448	-	$ -

C. No stock option was exercised for the three-month periods ended March 31, 2020 and 2019.

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

		March 31, 2020		December 31, 2019		March 31, 2019	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
2016.07.01	2022.06.30	716	$ 100	718	$ 100	1,263	$ 100
2018.05.15	2024.05.14	1,827	448	1,827	448	2,000	448

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Issuance date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (%)	Expected option life (year)	Expected dividends	Risk-free interest rate(%)	Fair value per unit (in dollars)
Employee stock options	2016.07.01	$ 145.50	$ 100	41.92~ 44.63	2.25	-	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	4.12	-	0.5636~ 0.6814	$ 63.16~ 106.15
Restricted stocks to employee	2019.09.30	$ 282.00	$ 10	-	1.00	-	-	$ 272

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

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

	Three-month periods ended March 31,	
	2020	2019
Equity-settled	$ 30,432	$ 20,496

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

(15) Share capital

A. As of March 31, 2020, 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)

	2020		
	Private placement of ordinary share	Unrestricted shares	Total
At January 1	-	119,617	119,617
Purchase of treasury shares	-	(2,000)	(2,000)
At March 31	-	117,617	117,617

	2019		
	Private placement of ordinary share	Unrestricted shares	Total
At January 1	-	102,232	102,232
Conversion of corporate bonds	-	376	376
At March 31	-	102,608	102,608

B. Treasury shares

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

		March 31, 2020	
Name of company holding the shares	Reason for reacquisition	Number of shares	Carrying amount
The Company	To enhance the Company's credit rating and the stockholders' equity	2,000,000	$ 438,038

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

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

C. To enhance the Company's credit rating and the stockholders' equity, on February 6, 2020, the Board of Directors of the Company during their meeting resolved to proceed with repurchasing of its own shares from the over-the-counter market in the amount of 2 million shares within 2 months from the reported date. All shares have been repurchased as of March 31, 2020, and are to be retired as resolved by the Board of Directors on April 30, 2020.

D. To be reissued to employees, on March 23, 2020, the Board of Directors of the Company during their meeting resolved to proceed with repurchasing of its own shares from the over-the-counter market in the amount of 3 million shares within 2 months from the reported date. Treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired.

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

B. The Company's dividend policy is summarised below: as the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans, and cash dividends shall account for at least 10% of the total dividends distributed. However, if the Company has sufficient retained earnings and capital, the Company may increase cash dividends in proportion to total dividends.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. On 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. On April 30, 2020, the Board of Directors proposed for the distribution of dividends from the 2019 earnings in the amount of $1,040,622, with cash dividends of $8.88 (in dollars) per share.

(18) Other equity items

	2020			
	Unrealized gains (losses) on valuation	Currency translation	Unearned employee compensation	Total
At January 1	($ 11,576)	($ 314,133)	($ 95,417)	($ 421,126)
Currency translation differences	-	(49,232)	-	(49,232)
Compensation cost of share–based payments	-	-	20,762	20,762
At March 31	($ 11,576)	($ 363,365)	($ 74,655)	($ 449,596)

	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	-	78,526	-	78,526
Compensation cost of share–based payments	-	-	1,896	1,896
At March 31	($ 11,576)	($ 78,244)	($ 2,529)	($ 92,349)

Amounts that the Group recognised in other comprehensive income due to the change in fair value are $0 for the three-month periods ended March 31, 2020 and 2019, respectively. Amounts that the Group transferred from other equity to profit and loss is $0.

(19) Operating revenue

	Three-month periods ended March 31,	
	2020	2019
Revenue from contracts with customers	$ 1,805,164	$ 2,584,097

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major geographical regions:

Three-month period ended March 31, 2020	Europe and America region	Asia Pacific region	Total
Total segment revenue	$ 159,721	$ 2,721,997	$ 2,881,718
Inter-segment revenue	(34,782)	(1,041,772)	(1,076,554)
Revenue from external customer contracts	$ 124,939	$ 1,680,225	$ 1,805,164

Three-month period ended March 31, 2019	Europe and America region	Asia Pacific region	Total
Total segment revenue	$ 194,443	$ 3,536,230	$ 3,730,673
Inter-segment revenue	(58,648)	(1,087,928)	(1,146,576)
Revenue from external customer contracts	$ 135,795	$ 2,448,302	$ 2,584,097

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

B. Contract assets and liabilities

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

	March 31, 2020	December 31, 2019	March 31, 2019	January 1, 2019
Contract liabilities – advance sales receipts	$ 566,959	$ 579,789	$ 994,308	$ 1,229,641

(a) Significant changes in contract assets and liabilities: None.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period:

	Three-month periods ended March 31, 2020	2019
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	$ 320,151	$ 651,446

(20) Other income

	Three-month periods ended March 31, 2020	2019
Interest income:		
Interest income from bank deposits	$ 3,985	$ 13,957
Grant revenue	-	15,598
Other income-others	22,624	9,670
	$ 26,609	$ 39,225

(21) Other gains and losses

	Three-month periods ended March 31, 2020	2019
Gains (losses) on disposal of property, plant and equipment	$ 105	($ 71)
Foreign exchange gains	14,843	20,977
Losses on financial assets (liabilities) at fair value through profit or loss	-	(103)
Miscellaneous disbursements	(600)	(204)
	$ 14,348	$ 20,599

(22) Finance costs

	Three-month periods ended March 31, 2020	2019
Interest expense		
Bank borrowings	$ 1,165	$ 1,264
Convertible bonds	703	755
Leases	328	409
	$ 2,196	$ 2,428

(23) Expenses by nature

	Three-month periods ended March 31, 2020	2019
Employee benefit expense	$ 290,449	$ 385,852
Depreciation charges on property, plant and equipment	73,898	57,406
Operating lease payments	12,875	14,522
Amortisation charges on intangible assets	4,179	2,460
	$ 381,401	$ 460,240

(24) Employee benefit expense

	Three-month periods ended March 31, 2020	2019
Wages and salaries	$ 216,169	$ 314,524
Employee stock options (Note)	30,432	20,496
Labour and health insurance fees	21,087	20,392
Pension costs	9,993	11,798
Other personnel expenses	12,768	18,642
	$ 290,449	$ 385,852

Note: It was equity-settled.

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 5%~15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the three-month periods ended March 31, 2020 and 2019, employees' compensation was accrued at $27,846 and $36,997, respectively; while directors' and supervisors' remuneration was accrued at $1,050 and $525, 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 three-month period ended March 31, 2020.

Employees' compensation and directors' and supervisors' remuneration of 2019 as resolved by the Board of Directors were $175,019 and $4,200, respectively, and the employees' compensation will be distributed in the form of cash.

C. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense

Components of income tax expense:

	Three-month periods ended March 31,	
	2020	2019
Current tax:		
Current tax on profits for the period	$ 111,415	$ 138,779
Prior year income tax overestimation	(3,765)	-
Total current tax	107,650	138,779
Deferred tax:		
Origination and reversal of temporary differences	(28,256)	(369)
Prior year deferred tax asset underestimation	(596)	(1,333)
Total deferred tax	(28,852)	(1,702)
Income tax expense	$ 78,798	$ 137,077

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

(26) Earnings per share

	Three-month period ended March 31, 2020		
	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	$ 372,133	118,727	$ 3.13
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 372,133		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	2,647	1,400	
Employee' stock option	-	527	
Employees' compensation	-	673	
Restricted stocks	-	61	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 374,780	121,388	$ 3.09

	Three-month period ended March 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	$ 623,009	118,025	$ 5.28
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 623,009		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	5,221	1,247	
Employee' stock option	-	807	
Employees' compensation	-	263	
Restricted stocks	-	-	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 628,230	120,342	$ 5.22

Note : For the three-month period ended March 31, 2019, the weighted average circulation of shares has been retrospectively adjusted to the number of shares of the Company's stock dividends in 2019.

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

A. The Group's subsidiary, TCI LIVING CO., LTD., merged with AQUAGEN CO., LTD. by issuing 720 thousand new shares on December 1, 2019. TCI LIVING CO., LTD. was the surviving company while AQUAGEN CO., LTD. was the dissolved company. AQUAGEN CO., LTD. has a distributor brand and has a high market profile. TCI LIVING CO., LTD. is expected to integrate its resources and strengthen its product portfolio when the merger is completed.

B. The following table summarises the consideration paid for AQUAGEN CO., LTD. and the fair values of the assets acquired and liabilities assumed at the acquisition date:

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

C. The fair value totaling $7,200 of the 720 thousand ordinary shares issued as part of the consideration paid for AQUAGEN CO., LTD. was based on the appraisal report.

D. The fair value of the acquired identifiable intangible assets was $4,590.

E. For the year ended December 31, 2019, the above transaction of TCI LIVING CO., LTD. which resulted to the effect of changes in interests in GENE & NEXT INC. on the equity attributable to owners of the parent is shown below:

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

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

(28) Supplemental cash flow information

A. Investing activities with partial cash payments

	Three-month periods ended March 31,	
	2020	2019
Purchase of property, plant and equipment	$ 9,466	$ 243,569
Add: Opening balance of payable on equipment	110,423	64,134
Less: Ending balance of payable on equipment	(46,087)	(82,749)
Cash paid during the period	$ 73,802	$ 224,954

B. Financing activities with no cash flow effects

	Three-month periods ended March 31,	
	2020	2019
Convertible bonds being converted to capital stocks	$ -	$ 48,198

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Daido Pharmaceutical Corporation	Other related party (The company's parent company is the Company's institutional shareholder)

(2) Significant related party transactions

A. Purchases:

	Three-month periods ended March 31,	
	2020	2019
Purchase and processing fees:		
Other related parties	$ 23,642	$ 16,264

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

B. Receivables from related parties:

	March 31, 2020	December 31, 2019	March 31, 2019
Accounts receivable:			
Other related parties	$ 3,532	$ 1,610	$ -

C. Payables to related parties:

	March 31, 2020	December 31, 2019	March 31, 2019
Accounts payable:			
Other related parties	$ 3,012	$ 29,278	$ 18,387

(3) Key management compensation

	Three-month periods ended March 31,	
	2020	2019
Salaries and other short-term employee benefits	$ 19,667	$ 21,182
Share-based payments	15,775	9,337
	$ 35,442	$ 30,519

8. PLEDGED ASSETS

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

	Book value			
Pledged asset	March 31, 2020	December 31, 2019	March 31, 2019	Purpose
Property, plant and equipment	$ 394,342	$ 394,890	$ 389,947	Short-term and long-term borrowings
Other non-current assets	1,000	500	500	Contract security deposit
	$ 395,342	$ 395,390	$ 390,447	

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:

	March 31, 2020	December 31, 2019	March 31, 2019
Property, plant and equipment	$ 547,834	$ 568,807	$ 798,451

B. As of March 31, 2020, December 31, 2019 and March 31, 2019, the Group's total unused letters of credit was $38,342, $25,685 and $289,306, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are based on the Group's operating industrial scale, considering the future growth of the industry and product development, setting up appropriate market share, and planning corresponding capital expenditures. Then, determining the required working capital based on the financial operation plan. Finally, taking into consideration the operating income and cash flows that can be generated by the product competitiveness to decide the appropriate capital structure.

(2) Financial instruments

A. Financial instruments by category

	March 31, 2020	December 31, 2019	March 31, 2019
Financial assets			
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	$ 25,848	$ 25,848	$ 25,848
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	$ 3,289,204	$ 3,848,194	$ 3,628,211
Financial assets at amortised cost	442,500	433,490	761,680
Notes receivable	7,278	5,840	4,054
Accounts receivable	712,151	601,553	961,275
Accounts receivable-related parties	3,532	1,610	-
Other receivables	21,774	18,500	35,305
Guarantee deposits paid	33,648	34,491	28,260
Other financial assets	1,000	500	500
	$ 4,511,087	$ 4,944,178	$ 5,419,285

	March 31, 2020	December 31, 2019	March 31, 2019
Financial liabilities			
Financial liabilities at fair value through profit or loss			
Financial liabilities designated as at fair value through profit or loss	$ -	$ -	$ 217
Financial liabilities at amortised cost			
Short-term borrowings	$ 448,620	$ 200,000	$ -
Notes payable	1,115	3,115	226,115
Accounts payable	762,818	920,869	918,682
Accounts payable-related parties	3,012	29,278	18,387
Other accounts payable	829,517	1,083,081	828,637
Corporate bonds payable (including current portion)	432,092	431,389	446,974
Long-term borrowings (including current portion)	3,980	-	-
	$ 2,481,154	$ 2,667,732	$ 2,438,795
Lease liability	$ 72,690	$ 83,387	$ 94,533

B. Financial risk management policies

(a) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(b) On March 3, 2020, the Board of Directors of the Company during their meeting resolved the provision of loans to the Company from subsidiaries, Shanghai BioScience Co., Ltd. and Shanghai BioFunction Co., Ltd..

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		March 31, 2020		
(Foreign currency: functional currency)		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets				
Monetary items				
RMB:NTD	RMB	139,509	4.2550	$ 593,611
JPY:NTD	JPY	1,509,472	0.2788	420,841
USD:NTD	USD	9,331	30.2250	282,029
SGD:NTD	SGD	2,419	21.2300	51,355
Financial liabilities				
Monetary items				
RMB:NTD	RMB	95,633	4.2550	$ 406,918
JPY:NTD	JPY	513,408	0.2788	143,138
EUR:NTD	EUR	2,090	33.2400	69,472
USD:NTD	USD	1,007	30.2250	30,437

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

		March 31, 2019		
(Foreign currency: functional currency)		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets				
Monetary items				
RMB:NTD	RMB	183,733	4.5800	$ 841,497
USD:NTD	USD	8,415	30.8200	259,350
JPY:NTD	JPY	414,663	0.2783	115,401
SGD:NTD	SGD	2,220	22.7500	50,505
Financial liabilities				
Monetary items				
JPY:NTD	JPY	482,515	0.2783	$ 134,284
RMB:NTD	RMB	23,648	4.5800	108,308
EUR:NTD	EUR	1,490	34.6100	51,569
USD:NTD	USD	1,039	30.8200	32,022

iii. The total exchange (loss) gain, including realised and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2020 and 2019, amounted to $14,843 and $20,977, respectively.

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

(Foreign currency: functional currency)	Three-month period ended March 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
RMB:NTD	1%	$ 5,936	$ -
JPY:NTD	"	4,208	-
USD:NTD	"	2,820	-
SGD:NTD	"	514	-
Financial liabilities			
Monetary items			
RMB:NTD	1%	$ 4,069	$ -
JPY:NTD	"	1,431	-
EUR:NTD	"	695	-
USD:NTD	"	304	-

(Foreign currency: functional currency)	Three-month period ended March 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
RMB:NTD	1%	$ 8,415	$ -
USD:NTD	"	2,594	-
JPY:NTD	"	1,154	-
SGD:NTD	"	505	-
Financial liabilities			
Monetary items			
JPY:NTD	1%	$ 1,343	$ -
RMB:NTD	"	1,083	-
EUR:NTD	"	516	-
USD:NTD	"	320	-

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 Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the three-month periods ended March 31, 2020 and 2019 would have increased/decreased by $258 and $258, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the three-month periods ended March 31, 2020 and 2019, the Group's borrowings at variable rate were denominated in New Taiwan dollars and Chinese Renminbi.

ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 0.1% with all other variables held constant, profit, net of tax for the three-month periods ended March 31, 2020 and 2019 would have increased/decreased by $362 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 Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

v. The Group classifies customers' accounts receivable in accordance with credit risk. The Group applies the modified approach using loss rate methodology to estimate expected credit loss.

vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of March 31, 2020, December 31, 2019 and March 31, 2019, the loss rate methodology is as follows:

	Group A	Group B	Group C	Group D	Total
At March 31, 2020					
Expected loss rate	0.23%	20.23%	100.00%	100.00%	
Total book value	$ 576,219	$ 128,454	$ 14,756	$ -	$ 719,429
Loss allowance	$ 1,325	$ 39,386	$ 14,756	$ -	$ 55,467
	Group A	Group B	Group C	Group D	Total
At December 31, 2019					
Expected loss rate	0.23%	20.23%	100.00%	100.00%	
Total book value	$ 414,171	$ 174,542	$ 18,680	$ -	$ 607,393
Loss allowance	$ 953	$ 36,084	$ 18,680	$ -	$ 55,717
	Group A	Group B	Group C	Group D	Total
At March 31, 2019					
Expected loss rate	0.23%	20.23%	100.00%	100.00%	
Total book value	$ 809,208	$ 198,047	$ 6,430	$ 8,736	$ 1,022,421
Loss allowance	$ 1,861	$ 40,065	$ 6,430	$ 8,736	$ 57,092

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

	2020	
	Accounts receivable	Notes receivable
At January 1	$ 55,717	$ -
Provision for impairment	-	-
Write-offs	-	-
Effect of foreign exchange	(250)	-
At March 31	$ 55,467	$ -

	2019	
	Accounts receivable	Notes receivable
At January 1	$ 56,552	$ -
Provision for impairment	276	-
Effect of foreign exchange	264	-
At March 31	$ 57,092	$ -

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

ii. As of March 31, 2020, December 31, 2019 and March 31, 2019, the Group has undrawn borrowing facilities of $5,383,850, $1,932,077 and $1,436,017, respectively.

iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

March 31, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	$ 448,620	$ -	$ -
Notes payable	1,115	-	-
Accounts payable (including related parties)	765,830	-	-
Other payables	829,517	-	-
Guarantee deposits received	-	11,063	-
Long-term borrowings (including current portion)	-	-	3,980
Convertible bonds	-	439,820	-

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

March 31, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Notes payable	$ 226,115	$ -	$ -
Accounts payable (including related parties)	937,069	-	-
Other payables	828,637	-	-
Guarantee deposits received	-	11,908	-
Convertible bonds	-	-	458,103

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

March 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ 1,196	$ -	$ 24,652	$ 25,848
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Call and put options of corporate bonds	$ -	$ -	$ -	$ -

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ 1,196	$ -	$ 24,652	$ 25,848
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Call and put options of corporate bonds	$ -	$ -	$ -	$ -

March 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ 1,196	$ -	$ 24,652	$ 25,848
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Call and put options of corporate bonds	$ -	$ 217	$ -	$ 217

(b)The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

ii.Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

iii.The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group’s financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the three-month periods ended March 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

E. For the three-month periods ended March 31, 2020 and 2019, no Level 3 financial instrument was changed.

F. For the three-month periods ended March 31, 2020 and 2019, there was no transfer into or out from Level 3.

G. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

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

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

	Fair value at March 31, 2019		Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	$	24,652	Market comparable companies	Price to earnings ratio multiple	1.38~1.83	The higher the value of net assets, the higher the fair value;
				Discount for lack of marketability	19.89% ~21.04%	the higher the discount for lack of marketability, the lower the fair value.

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

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

			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%	$ -	$ -	$ 1,233	$ 1,233

			March 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%	$ -	$ -	$ 1,233	$ 1,233

13. <u>SUPPLEMENTARY DISCLOSURES</u>

(1) <u>Significant transactions information</u>

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or

20% of the Company's paid-in capital: None.

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

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

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

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.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

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

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

(2) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Taiwan	Asia	Others	Adjustment and reversal	Total
Three-month period ended March 31, 2020					
Revenue from external customers	$ 344,690	$ 1,418,417	$ 42,057	$ -	$ 1,805,164
Revenue from internal customers	993,639	82,915	-	(1,076,554)	-
Segment revenue	$ 1,338,329	$ 1,501,332	$ 42,057	($ 1,076,554)	$ 1,805,164
Segment income	$ 518,658	$ 463,989	($ 95)	($ 606,170)	$ 376,382
Segment income / loss, including:					
Depreciation and amortisation	$ 56,895	$ 20,899	$ 283	$ -	$ 78,077
Interest income	10	3,975	-	-	3,985
Interest expense	2,035	161	-	-	2,196
Income tax expense	42,983	35,815	-	-	78,798
Investment profit or loss which is adopting equity method	212,909	130,681	-	(343,590)	-
Segment total assets	$ 13,378,669	$ 10,628,055	$ 103,855	($ 13,513,045)	$ 10,597,534
Segment assets including:					
Investment which is adopting equity method	$ 4,069,166	$ 2,268,192	$ -	($ 6,337,358)	$ -
Capital expenditure of non-current asset	356,409	1,075	-	-	357,484
Segment total liabilities	$ 3,128,279	$ 1,155,050	$ 100,342	($ 913,174)	$ 3,470,497

	Taiwan	Asia	Other	Adjustment and reversal	Total
Three-month period ended March 31, 2019					
Revenue from external customers	$ 405,527	$ 2,113,102	$ 65,468	$ -	$ 2,584,097
Revenue from internal customers	1,075,400	71,176	-	(1,146,576)	-
Segment revenue	$ 1,480,927	$ 2,184,278	$ 65,468	($ 1,146,576)	$ 2,584,097
Segment income	$ 800,899	$ 643,469	$ 4,331	($ 821,172)	$ 627,527
Segment income / loss, including:					
Depreciation and amortisation	$ 43,966	$ 15,707	$ 193	$ -	$ 59,866
Interest income	683	13,274	-	-	13,957
Interest expense	1,008	1,420	-	-	2,428
Income tax expense	82,588	54,489	-	-	137,077
Investment profit or loss which is adopting equity method	31,368	171,074	-	(484,757)	(282,315)
Segment total assets	$ 11,941,220	$ 9,885,843	$ 88,407	($ 11,406,438)	$ 10,509,032
Segment assets including:					
Investment which is adopting equity method	$ 3,530,195	$ 1,851,258	$ -	($ 5,381,453)	$ -
Capital expenditure of non-current asset	356,409	148,791	956	-	506,156
Segment total liabilities	$ 2,676,496	$ 1,740,469	$ 75,827	($ 527,627)	$ 3,965,165

For the three-month periods ended March 31, 2020 and 2019, sales to Europe and America of reporting department-Taiwan amounted to $83,991 and $70,327, respectively, and sales to Europe and America of reporting department-Asia and others amounted to $40,948 and $65,468, respectively.

(3) Reconciliation for segment income

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. The reportable segment income or loss is in accordance with the income before tax from continuing operations for the three-month periods ended March 31, 2020 and 2019.

TCI CO., LTD. AND SUBSIDIARIES

Loans to others

Three-month period ended March 31, 2020

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the three-month period ended March 31, 2020 (Note 3)	Balance at March 31, 2020	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing	Allowance for uncollectible accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
1	Shanghai BioFunction Co., Ltd.	TCI CO., LTD.	Other receivables - related parties	Y	$ 510,600	$ 510,600	$ -	4.35%	2	$ -	Operational needs	$ -	None	$ -	$ 567,033	$ 567,033	Notes 5 and 6
2	Shanghai BioFunction Co., Ltd.	TCI CO., LTD.	Other receivables - related parties	Y	340,400	340,400	-	4.35%	2	-	Operational needs	-	None	-	395,673	395,673	Notes 5 and 6

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables–related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the three-month period ended March 31, 2020. The amount is calculated at the closing rate of RMB$1 : NTD$4.2550.

Note 4: (1) For entities having business transaction with the Company, limit on loans granted to a single party is the higher value of purchasing and selling during the most recent year or during the current year as of the date of financing.

(2) For nature of loan pertaining to short-term financing, limit on loans granted to a single party is 30% of the Company's net assets based on the latest financial statements.

Note 5: For short-term financing with other entities, ceiling on total loans granted by the Company's subsidiary to others is 30% of the subsidiary's net assets based on the latest financial statements, and limit on loans granted by the Company's subsidiary to a single party is 30% of the subsidiary's net assets based on the latest financial statements.

Note 6: The amounts were approved by the Board of Directors.

TCI CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Three-month period ended March 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of March 31, 2020	Outstanding endorsement/ guarantee amount at March 31, 2020	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary (Note 4)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 4)	Provision of endorsements/ guarantees to the party in Mainland China (Note 4)	Footnote
0	TCI CO., LTD.	TCI HK LIMITED	2	$ 1,426,615	$ 1,400,000	$ 1,400,000	$ -	$ -	19.63	$ 1,426,615	Y	N	N	Note 3

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/ guaranteed subsidiary.

(3)The Endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/ guaranteed company.

(4)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Limit on endorsements/guarantees provided for a single party is 20% of the Company’s net assets based on the latest financial statements.

Ceiling on total amount of endorsements/guarantees provided to others is 50% of the Company’s net assets based on the latest financial statements.

Note 4: Fill in ‘Y’ for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

TCI CO., LTD. AND SUBSIDIARIES

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

March 31, 2020

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of March 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
TCI CO., LTD.	BILLION ELECTRIC CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	125,039	$ 1,196	0.12	$ 1,196	
TCI CO., LTD.	LIN LIE INTEGRATION CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	54,000	372	3.48	372	
TCI CO., LTD.	PURE MILK CO., LTD.	The company was an institutional shareholder of PURE MILK CO., LTD.	Financial assets at fair value through other comprehensive income - non-current	403,333	22,000	10.00	22,000	
TCI LIVING CO., LTD.	Chun Ling International Co., Ltd.	The company was an institutional shareholder of Chun Ling International Co., Ltd.	Financial assets at fair value through other comprehensive income - non-current	228,000	2,280	19.00	2,280	

TCI CO., LTD. AND SUBSIDIARIES

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

Three-month period ended March 31, 2020

Table 4

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)	$ 510,433	(39.31)	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.	$ -	-	
TCI CO., LTD.	Shanghai BioTrade Co., Ltd.	Subsidiary	(Sales)	410,141	(31.59)	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.	74,504	17.46	

Note: Regarding percentage of transaction amount to total operating revenues or total assets, it is computed based on period-end balance of transaction to total assets for balance sheet accounts and based on accumulated transaction amount for the period to total operating revenues for income statement accounts.

TCI CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

Three-month period ended March 31, 2020

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	$ 510,473	The prices and terms of sales and purchases are available to third parties.	28.28
0	TCI CO., LTD.	Shanghai BioTrade Co., Ltd.	1	Sales of goods	410,141	The prices and terms of sales and purchases are available to third parties.	22.72
0	TCI CO., LTD.	Shanghai BioTrade Co., Ltd.	1	Accounts receivable	74,504	The prices and terms of sales and purchases are available to third parties.	0.70

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories :

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to total operating revenues or total assets, it is computed based on period-end balance of transaction to total assets for balance sheet accounts and based on accumulated transaction amount for the period to total operating revenues for income statement accounts.

TCI CO., LTD. AND SUBSIDIARIES

Information on investees

Three-month period ended March 31, 2020

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at March 31, 2020					
Investor	Investee	Location	Main business activities	Balance as at March 31, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the three-month period ended March 31, 2020	Investment income(loss) recognised by the Company for the three-month period ended March 31, 2020	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	$ 2,706,687	$ 135,501	$ 135,501	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	111,946	10,788	6,601	None
TCI CO., LTD.	TCI HK LIMITED	Hong Kong	Trading health foods and cosmetics	21,046	21,046	-	100.00	14,220	363	363	None
TCI CO., LTD.	TCI BIOTECH LLC	U.S.A.	Trading health foods and cosmetics	8,778	8,778	-	100.00	3,942	334	334	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	-	-	None
TCI CO., LTD.	TCI JAPAN CO., LTD.	JAPAN	Trading health foods and cosmetics	15,626	15,626	5,500	100.00	22,201	891	891	None
GENE & NEXT INC.	GLUX HK LIMITED	Hong Kong	Trading health foods and cosmetics	29,542	29,542	-	100.00	(162)	(62)	(38)	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	33,938	300	238	None
TCI LIVING CO., LTD.	SBI GROUP HK LIMITED	Hong Kong	Trading health foods and cosmetics	-	-	-	100.00	4,068	-	-	None
TCI CO., LTD.	PT TCI BIOTEK INDO	Indonesia	Trading health foods and cosmetics	-	-	-	100.00	87	10	10	Note 3
TCI CO., LTD.	TCI BIOTECH NETHERLANDS B.V.	Nederland	Trading health foods and cosmetics	-	-	-	100.00	(429)	(429)	(429)	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 March 31, 2020' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column..

(2)The 'Net profit (loss) of the investee for the three-month period ended March 31, 2020' column should fill in amount of net profit (loss) of the investee for this period.

(3)The 'Investment income (loss) recognised by the Company for the three-month period ended March 31, 2020' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: There was no capital injection as of March 31, 2020.

TCI CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Three-month period ended March 31, 2020

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, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2020: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020	Net income of investee as of March 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2020	Book value of investments in Mainland China as of March 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2020	Footnote
Shanghai BioTrade Co., Ltd.	Wholesale of health foods, cosmetics and chemical productions; cosmetic manufacturing	$ 15,415	Note 3	$ 15,440	$ -	$ -	$ 15,440	$ 138,189	100.00	$ 138,189	$ 2,996,154	$ 289,047	Note 5 Note 6
Shanghai BioScience Co., Ltd.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	25,530	Note 2	-	-	-	-	121,709	100.00	121,709	2,775,148	-	Note 5 Note 6
Shanghai BioCosme Co., Ltd.	Producing cosmetics	140,415	Note 2	-	-	-	-	2,144	100.00	2,144	147,893	-	Note 5 Note 6
Shanghai BioFunction Co., Ltd.	Producing health foods	1,365,809	Note 1	438,307	-	-	438,307	200,317	100.00	200,317	3,476,849	-	Note 5 Note 6
BIO DYNAMIC LABORATORIES INC.	Trading health foods and cosmetics	28,152	Note 3	-	-	-	-	-	48.53	-	2,747	-	Note 5 Note 6
SHANGHAI BIOTECHGENE TECHNOLOGY CO., LTD.	Research and development of biotechnology and genetics	42,550	Note 4	-	-	-	-	112	100.00	112	43,035	-	Note 5 Note 6

Note 1：Reinvestments in a company in Mainland China through parent company in Taiwan and Shanghai BioScience Co., Ltd.. (USD$14,400 and RMB$218,700)

Note 2：Reinvestments in a company in Mainland China through Shanghai BioTrade Co., Ltd.

Note 3：Reinvestments in a company in Mainland China through domestic subsidiary company.

Note 4：Reinvestments in a company in Mainland China through Shanghai BioScience Co., Ltd.

Note 5：The financial statements that are reviewed and attested by R.O.C. parent company's CPA.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
TCI CO., LTD.	$ 438,307	$ 755,625	$ 4,276,222
TCI FIRSTEK CORP.	15,440	15,440	1,786,339

Note 6：The numbers in this table are expressed in New Taiwan dollars, except for: assets and liabilities presents at RMB$1：NTD$4.2550, USD$1：NTD$30.2250; income presents at RMB$1：NTD$4.3076, USD$1：NTD$30.1131;

Note 7：The amount is the higher of limits on accumulated investment amounts or 60% of consolidated net assets was based on Investment Commission, MOEA Regulation No. 09704604680 announced on August 29, 2008.

TCI CO., LTD. AND SUBSIDIARIES

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

Three-month period ended March 31, 2020

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at March 31, 2020	%	Balance at March 31, 2020	Purpose	Maximum balance during the three-month period ended March 31, 2020	Balance at March 31, 2020	Interest rate	Interest during the three-month period ended March 31, 2020	Others
Shanghai BioFunction Co., Ltd.	$ 510,473	39.31	$ -	-	$ -	-	$ -	-	$ -	$ -	-	$ -	
Shanghai BioTrade Co., Ltd.	$ 410,141	31.59	$ -	-	$ 74,504	17.46	$ -	-	$ -	$ -	-	$ -	

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 consolidated total operating revenues for income statement accounts.

TCI CO., LTD. AND SUBSIDIARIES

Major shareholders information

March 31, 2020

Table 9

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
DYDO GROUP HOLDINGS INC.	9,593,216	8.01%