

**TCI CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REVIEW REPORT**  
**SEPTEMBER 30, 2020 AND 2019**

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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 September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then end, as well as the consolidated statements of changes in equity and of cash flows for the nine-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 September 30, 2020 and 2019 and its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-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

October 28, 2020

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors’ 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  
SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

Assets	Notes	September 30, 2020		December 31, 2019		September 30, 2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 4,359,363	38	\$ 3,848,194	36	\$ 4,024,559	37
1110	Financial assets at fair value	6(11)						
	through profit or loss - current		26,958	-	-	-	-	-
1136	Current financial assets at	6(1) and 8						
	amortised cost		315,759	3	433,490	4	437,990	4
1150	Notes receivable, net	6(3)	23,741	-	5,840	-	5,156	-
1170	Accounts receivable, net	6(3)	670,100	6	601,553	6	494,857	5
1180	Accounts receivable - related	7						
	parties		1,433	-	1,610	-	-	-
1200	Other receivables		32,825	1	18,500	-	17,543	-
1220	Current income tax assets	6(27)	1,946	-	3,807	-	-	-
130X	Inventories	6(4)	711,745	6	1,084,323	10	1,180,077	11
1410	Prepayments	6(5)	259,080	2	273,066	2	199,342	2
1470	Other current assets		25,854	-	29,972	-	25,130	-
11XX	<b>Total current assets</b>		<u>6,428,804</u>	<u>56</u>	<u>6,300,355</u>	<u>58</u>	<u>6,384,654</u>	<u>59</u>
<b>Non-current assets</b>								
1517	Non-current financial assets at	6(2)						
	fair value through other							
	comprehensive income		25,848	-	25,848	-	25,848	-
1600	Property, plant and equipment	6(6)	3,561,421	31	2,488,439	23	2,486,565	23
1755	Right-of-use assets	6(7)	121,244	1	110,857	1	113,378	1
1780	Intangible assets	6(8)	25,295	-	31,196	-	26,983	-
1840	Deferred income tax assets	6(27)	52,947	1	34,199	1	28,140	1
1900	Other non-current assets	6(9) and 8	1,175,530	11	1,837,724	17	1,758,985	16
15XX	<b>Total non-current assets</b>		<u>4,962,285</u>	<u>44</u>	<u>4,528,263</u>	<u>42</u>	<u>4,439,899</u>	<u>41</u>
1XXX	<b>Total assets</b>		<u>\$ 11,391,089</u>	<u>100</u>	<u>\$ 10,828,618</u>	<u>100</u>	<u>\$ 10,824,553</u>	<u>100</u>

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**TCI CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2020		December 31, 2019		September 30, 2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>							
2100	Short-term borrowings	6(10)	\$ 1,075,230	9	\$ 200,000	2	\$ 500,000	5
2120	Financial liabilities at fair value through profit or loss - current	6(11)	-	-	-	-	108	-
2130	Current contract liabilities	6(20)	751,299	7	579,789	5	812,349	8
2150	Notes payable		595	-	3,115	-	63,889	1
2170	Accounts payable		791,169	7	920,869	9	983,983	9
2180	Accounts payable - related parties	7	8,697	-	29,278	-	48,479	-
2200	Other payables	6(12)	801,707	7	1,083,081	10	941,611	9
2230	Current income tax liabilities	6(27)	367,446	3	238,430	2	157,684	1
2280	Current lease liabilities	6(7)	32,805	-	38,499	1	38,109	-
2320	Long-term liabilities, current portion	6(13)	433,547	4	-	-	-	-
2399	Other current liabilities, others		53,870	1	37,071	-	43,244	-
21XX	<b>Total current liabilities</b>		<u>4,316,365</u>	<u>38</u>	<u>3,130,132</u>	<u>29</u>	<u>3,589,456</u>	<u>33</u>
	<b>Non-current liabilities</b>							
2530	Corporate bonds payable	6(13)	-	-	431,389	4	430,672	4
2540	Long-term borrowings		3,980	-	-	-	-	-
2570	Deferred income tax liabilities	6(27)	1,389	-	3,030	-	992	-
2580	Non-current lease liabilities	6(7)	61,759	1	44,888	-	46,883	1
2600	Other non-current liabilities		11,581	-	11,678	-	11,800	-
25XX	<b>Total non-current liabilities</b>		<u>78,709</u>	<u>1</u>	<u>490,985</u>	<u>4</u>	<u>490,347</u>	<u>5</u>
2XXX	<b>Total liabilities</b>		<u>4,395,074</u>	<u>39</u>	<u>3,621,117</u>	<u>33</u>	<u>4,079,803</u>	<u>38</u>
	<b>Equity attributable to owners of parent</b>							
	Share capital	6(16)						
3110	Share capital - common stock		1,176,012	10	1,196,172	11	1,181,832	11
3140	Advance receipts for share capital		5,690	-	-	-	14,150	-
	Capital surplus	6(17)						
3200	Capital surplus		2,611,097	23	2,600,733	24	2,589,208	24
	Retained earnings	6(18)						
3310	Legal reserve		598,016	5	396,403	4	396,403	4
3320	Special reserve		325,709	3	168,346	2	168,346	2
3350	Unappropriated retained earnings		2,811,664	24	3,192,547	29	2,785,067	26
	Other equity interest	6(19)						
3400	Other equity interest		( 392,549)	( 3)	( 421,126)	( 4)	( 452,309)	( 5)
3500	Treasury shares	6(16)	( 226,857)	( 2)	-	-	-	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>6,908,782</u>	<u>60</u>	<u>7,133,075</u>	<u>66</u>	<u>6,682,697</u>	<u>62</u>
36XX	Non-controlling interest		<u>87,233</u>	<u>1</u>	<u>74,426</u>	<u>1</u>	<u>62,053</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>6,996,015</u>	<u>61</u>	<u>7,207,501</u>	<u>67</u>	<u>6,744,750</u>	<u>62</u>
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 11,391,089</u>	<u>100</u>	<u>\$ 10,828,618</u>	<u>100</u>	<u>\$ 10,824,553</u>	<u>100</u>

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

**TCI CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)  
(Reviewed, not audited)

Items	Notes	Three-month periods ended September 30				Nine-month periods ended September 30				
		2020		2019		2020		2019		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(20)	\$ 2,156,732	100	\$ 2,070,899	100	\$ 6,168,980	100	\$ 7,236,723	100
5000	Operating costs	6(4)(14)(25)(26)	( 1,176,502)	( 54)	( 1,237,840)	( 60)	( 3,424,206)	( 55)	( 4,180,973)	( 57)
5900	Net operating margin		<u>980,230</u>	<u>46</u>	<u>833,059</u>	<u>40</u>	<u>2,744,774</u>	<u>45</u>	<u>3,055,750</u>	<u>43</u>
	Operating expenses	6(14)(25)(26)								
6100	Selling expenses		( 141,687)	( 7)	( 153,894)	( 7)	( 395,834)	( 7)	( 449,805)	( 6)
6200	General and administrative expenses		( 155,574)	( 7)	( 183,668)	( 9)	( 443,327)	( 7)	( 484,082)	( 7)
6300	Research and development expenses		( 150,303)	( 7)	( 133,711)	( 7)	( 384,240)	( 6)	( 364,372)	( 5)
6450	Expected credit impairment loss		-	-	( 1,779)	-	( 8)	-	( 2,055)	-
6000	Total operating expenses		( 447,564)	( 21)	( 473,052)	( 23)	( 1,223,409)	( 20)	( 1,300,314)	( 18)
6900	Operating profit		<u>532,666</u>	<u>25</u>	<u>360,007</u>	<u>17</u>	<u>1,521,365</u>	<u>25</u>	<u>1,755,436</u>	<u>25</u>
	Non-operating income and expenses									
7100	Interest income	6(21)	15,024	1	27,439	2	23,409	-	49,094	-
7010	Other income	6(22)	77,161	3	65,243	3	107,710	2	124,815	2
7020	Other gains and losses	6(23)	( 8,807)	( 1)	( 19,897)	( 1)	2,654	-	( 16,771)	-
7050	Finance costs	6(24)	( 4,799)	-	( 1,250)	-	( 10,466)	-	( 3,713)	-
7000	Total non-operating income and expenses		<u>78,579</u>	<u>3</u>	<u>71,535</u>	<u>4</u>	<u>123,307</u>	<u>2</u>	<u>153,425</u>	<u>2</u>
7900	Profit before income tax		<u>611,245</u>	<u>28</u>	<u>431,542</u>	<u>21</u>	<u>1,644,672</u>	<u>27</u>	<u>1,908,861</u>	<u>27</u>
7950	Income tax expense	6(27)	( 109,676)	( 5)	( 66,128)	( 4)	( 240,945)	( 4)	( 283,666)	( 4)
8200	Profit for the period		<u>\$ 501,569</u>	<u>23</u>	<u>\$ 365,414</u>	<u>17</u>	<u>\$ 1,403,727</u>	<u>23</u>	<u>\$ 1,625,195</u>	<u>23</u>
	Other comprehensive income (loss)									
	Other comprehensive income (loss) that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations	6(19)	\$ 79,489	4	( \$ 148,102)	( 7)	( \$ 33,776)	( 1)	( \$ 117,273)	( 2)
8300	Total other comprehensive income (loss) for the period		<u>\$ 79,489</u>	<u>4</u>	<u>( \$ 148,102)</u>	<u>( 7)</u>	<u>( \$ 33,776)</u>	<u>( 1)</u>	<u>( \$ 117,273)</u>	<u>( 2)</u>
8500	Total comprehensive income for the period		<u>\$ 581,058</u>	<u>27</u>	<u>\$ 217,312</u>	<u>10</u>	<u>\$ 1,369,951</u>	<u>22</u>	<u>\$ 1,507,922</u>	<u>21</u>
	Profit attributable to:									
8610	Owners of the parent		\$ 494,290	23	\$ 360,775	17	\$ 1,390,853	23	\$ 1,608,270	23
8620	Non-controlling interest		<u>7,279</u>	-	<u>4,639</u>	-	<u>12,874</u>	-	<u>16,925</u>	-
	Comprehensive income attributable to:		<u>\$ 501,569</u>	<u>23</u>	<u>\$ 365,414</u>	<u>17</u>	<u>\$ 1,403,727</u>	<u>23</u>	<u>\$ 1,625,195</u>	<u>23</u>
	Owners of the parent		\$ 573,755	27	\$ 212,773	10	\$ 1,357,144	22	\$ 1,491,025	21
8720	Non-controlling interest		<u>7,303</u>	-	<u>4,539</u>	-	<u>12,807</u>	-	<u>16,897</u>	-
	Earnings per share (In dollars)	6(28)	<u>\$ 4.23</u>		<u>\$ 3.04</u>		<u>\$ 11.86</u>		<u>\$ 13.60</u>	
9750	Basic earnings per share		<u>\$ 4.17</u>		<u>\$ 3.01</u>		<u>\$ 11.64</u>		<u>\$ 13.34</u>	
9850	Diluted earnings per share		<u>\$ 4.17</u>		<u>\$ 3.01</u>		<u>\$ 11.64</u>		<u>\$ 13.34</u>	

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

TCICO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed, not audited)

	Equity attributable to owners of the parent												Non-controlling interest	Total equity
	Share capital			Retained earnings				Other equity interest			Treasury shares	Total		
	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					
Notes														
<u>For the nine-month period ended September 30, 2019</u>														
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	-	-	-	-	-	1,608,270	-	-	-	-	1,608,270	16,925	1,625,195	
Other comprehensive loss for the period	-	-	-	-	-	-	( 117,245 )	-	-	-	( 117,245 )	( 28 )	( 117,273 )	
Total comprehensive income (loss)	6(19)	-	-	-	-	1,608,270	( 117,245 )	-	-	-	1,491,025	16,897	1,507,922	
Appropriations of 2018 earnings														
Legal reserve	-	-	-	179,490	-	( 179,490 )	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	47,980	( 47,980 )	-	-	-	-	-	-	-	
Stock dividends	153,911	-	-	-	-	( 153,911 )	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	( 718,253 )	-	-	-	-	( 718,253 )	-	( 718,253 )	
Exercise of employee stock purchase plans	420	4,790	29,934	-	-	-	-	-	-	-	35,144	-	35,144	
Conversion of convertible bonds into shares	6(13)(16)(17)	5,180	( 3,335 )	64,207	-	-	-	-	-	-	66,052	-	66,052	
Share-based payments	6(15)(16)(19)	-	8,940	238,196	-	-	-	-	( 162,293 )	-	84,843	-	84,843	
Balance at September 30, 2019		<u>\$ 1,181,832</u>	<u>\$ 14,150</u>	<u>\$ 2,589,208</u>	<u>\$ 396,403</u>	<u>\$ 168,346</u>	<u>\$ 2,785,067</u>	<u>(\$ 274,015 )</u>	<u>(\$ 11,576 )</u>	<u>(\$ 166,718 )</u>	<u>\$ -</u>	<u>\$ 6,682,697</u>	<u>\$ 62,053</u>	<u>\$ 6,744,750</u>

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TCICO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 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			Treasury shares	Total	Non-controlling interest	Total equity	
	Share capital - common stock	Advance receipts for share capital	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Other equity - others					
Notes														
<u>For the nine-month period ended September 30, 2020</u>														
Balance at January 1, 2020	\$ 1,196,172	\$ -	\$ 2,600,733	\$ 396,403	\$ 168,346	\$ 3,192,547	(\$ 314,133 )	(\$ 11,576 )	(\$ 95,417 )	\$ -	\$ 7,133,075	\$ 74,426	\$ 7,207,501	
Profit for the period	-	-	-	-	-	1,390,853	-	-	-	-	1,390,853	12,874	1,403,727	
Other comprehensive loss for the period	-	-	-	-	-	-	( 33,709 )	-	-	-	( 33,709 )	( 67 )	( 33,776 )	
Total comprehensive income (loss)	6(19) -	-	-	-	-	1,390,853	( 33,709 )	-	-	-	1,357,144	12,807	1,369,951	
Appropriations of 2019 earnings														
Legal reserve		-	-	201,613	-	( 201,613 )	-	-	-	-	-	-	-	
Special reserve		-	-	-	157,363	( 157,363 )	-	-	-	-	-	-	-	
Cash dividends		-	-	-	-	( 1,040,622 )	-	-	-	-	( 1,040,622 )	-	( 1,040,622 )	
Exercise of employee stock purchase plans		-	5,690	27,255	-	-	-	-	-	-	32,945	-	32,945	
Share-based payments	6(15)(16)(19)	-	-	29,009	-	-	-	-	62,286	-	91,295	-	91,295	
Proceeds from capital reduction of restricted stocks to employees	6(16)	( 160 )	-	-	-	-	-	-	-	-	( 160 )	-	( 160 )	
Purchase of treasury shares	6(16)	-	-	-	-	-	-	-	-	( 664,895 )	( 664,895 )	-	( 664,895 )	
Retirement of treasury shares	6(16)	( 20,000 )	-	( 45,900 )	-	( 372,138 )	-	-	-	438,038	-	-	-	
Balance at September 30, 2020		<u>\$ 1,176,012</u>	<u>\$ 5,690</u>	<u>\$ 2,611,097</u>	<u>\$ 598,016</u>	<u>\$ 325,709</u>	<u>\$ 2,811,664</u>	<u>(\$ 347,842 )</u>	<u>(\$ 11,576 )</u>	<u>(\$ 33,131 )</u>	<u>(\$ 226,857 )</u>	<u>\$ 6,908,782</u>	<u>\$ 87,233</u>	<u>\$ 6,996,015</u>

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



TCI CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed, not audited)

	Notes	Nine-month periods ended September 30	
		2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 1,644,672	\$ 1,908,861
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12(2)	8	2,055
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(11)(23)		
Loss on disposal of property, plant and equipment	6(23)	1,118	( 17 )
Depreciation	6(6)(7)(25)	253	3,839
Amortisation	6(8)(25)	234,004	188,190
Interest income	6(21)	12,977	9,556
Interest expense	6(24)	( 23,409 )	( 49,094 )
Compensation cost arising from employee stock options	6(15)(26)	10,466	3,713
Changes in operating assets and liabilities		91,295	75,903
Changes in operating assets			
Notes receivable		( 17,901 )	19,760
Accounts receivable		( 68,555 )	23,137
Accounts receivable - related parties		177	-
Other receivables		( 14,325 )	20,739
Inventories		372,578	128,918
Prepayments		13,986	26,490
Other current assets		4,118	18,446
Changes in operating liabilities			
Contract liabilities - current		171,510	( 417,292 )
Notes payable		( 2,520 )	( 189,312 )
Accounts payable		( 129,700 )	( 351,607 )
Accounts payable - related parties		( 20,581 )	48,479
Other payables		( 219,851 )	90,715
Other current liabilities		16,799	( 17,619 )
Cash inflow generated from operations		<u>2,077,119</u>	<u>1,543,860</u>
Interest received		23,409	49,094
Interest paid		( 7,455 )	( 263 )
Income tax paid		( 129,758 )	( 398,709 )
Net cash flows from operating activities		<u>1,963,315</u>	<u>1,193,982</u>

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**TCI CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed, not audited)

	Notes	Nine-month periods ended September 30	
		2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	6(30)	(\$ 83,056 )	(\$ 278,371 )
Proceeds from disposal of property, plant and equipment		105	2,813
Increase in refundable deposits	6(9)	( 3,800 )	( 5,999 )
Acquisition of intangible assets	6(8)	( 7,078 )	( 11,273 )
(Increase) decrease in other non-current assets		( 16,633 )	2,679
Acquisition of financial assets at fair value through profit or loss		( 28,076 )	-
Decrease in financial assets at amortised cost		117,731	210,450
Increase in prepayments for purchase of equipment		( 586,014 )	( 1,227,279 )
Net cash flows used in investing activities		( 606,821 )	( 1,306,980 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term borrowings		3,007,330	500,000
Payments of short-term borrowings		( 2,133,450 )	( 12,000 )
Proceeds from long-term borrowings		3,980	-
(Decrease) increase in guarantee deposits		( 97 )	118
Exercise of employee stock purchase plans		32,945	35,144
Lease liabilities paid	6(7)	( 30,070 )	( 28,811 )
Cash dividends paid		( 1,040,622 )	( 718,253 )
Proceeds from issuance of restricted stock	6(15)	-	8,940
Payments to acquire treasury shares	6(16)	( 664,895 )	-
Unvested redeemed stocks from restricted stocks to employees	6(16)	( 160 )	-
Net cash flows used in financing activities		( 825,039 )	( 214,862 )
Effects due to changes in exchange rate		( 20,286 )	( 65,126 )
Net increase (decrease) in cash and cash equivalents		511,169	( 392,986 )
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)	\$ 4,359,363	\$ 4,024,559

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

TCI CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 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 October 28, 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
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

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

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018 - 2020	January 1, 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" 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 (%)			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
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 (%)			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
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
TCI LIVING CO., LTD.	TCI LIVING SHANGHAI CO., LTD.	Trading health foods and cosmetics	100	-	-	Note 3 Note 9

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 September 30, 2020.

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

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

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

E. Significant restrictions:

Cash and short-term deposits of \$3,455,200 deposited in mainland China are under local foreign exchange control which restricts the capital to be remitted outside the borders (except for normal dividend distribution).

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

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

Name of subsidiary	Principal place of business	Non-controlling interests			
		September 30, 2020		September 30, 2019	
		Amount	Ownership (%)	Amount	Ownership (%)
GENE & NEXT INC.	Taiwan	\$ 79,382	38.81	\$ 62,053	38.81

Summarised financial information of the subsidiaries:

Balance sheets

	GENE & NEXT INC.	
	September 30, 2020	September 30, 2019
Current assets	\$ 174,968	\$ 138,693
Non-current assets	61,146	49,118
Current liabilities	(31,571)	(27,921)
Total net assets	\$ 204,543	\$ 159,890



Statements of comprehensive income

GENE & NEXT INC.		
Three-month periods ended September 30,		
	2020	2019
Revenue	\$ 39,414	\$ 29,600
Profit before income tax	24,416	11,953
Income tax expense	( 5,021)	-
Profit for the period	19,395	11,953
Other comprehensive gain (loss), net of tax	31	( 257)
Total comprehensive income for the period	<u>\$ 19,426</u>	<u>\$ 11,696</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 7,539</u>	<u>\$ 4,539</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

GENE & NEXT INC.		
Nine-month periods ended September 30,		
	2020	2019
Revenue	\$ 80,382	\$ 102,551
Profit before income tax	43,943	47,707
Income tax expense	( 11,464)	( 4,098)
Profit for the period	32,479	43,609
Other comprehensive loss, net of tax	( 108)	( 71)
Total comprehensive income for the period	<u>\$ 32,371</u>	<u>\$ 43,538</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 12,563</u>	<u>\$ 16,897</u>
Dividends paid to non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

## Statements of cash flows

	GENE & NEXT INC.	
	Nine-month periods ended September 30,	
	2020	2019
Net cash (used in) provided by operating activities	(\$ 9,728)	\$ 68,562
Effect of exchange rate changes on cash and cash equivalents	( 108)	( 71)
(Decrease) increase in cash and cash equivalents	( 9,836)	68,491
Cash and cash equivalents at beginning of period	113,366	29,001
Cash and cash equivalents at end of period	<u>\$ 103,530</u>	<u>\$ 97,492</u>

### (4) Foreign currency translation

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

#### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

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

presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- iii. All resulting exchange differences are recognised in other comprehensive income.

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

(5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be settle within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settle within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

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

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
  - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
  - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

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

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

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Inventories

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

As of September 30, 2020, the carrying amount of inventories was \$711,745.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cash on hand and revolving funds	\$ 4,323	\$ 2,279	\$ 2,631
Checking accounts and demand deposits	2,391,890	2,207,918	2,258,003
Time deposits	<u>2,279,909</u>	<u>2,071,987</u>	<u>2,201,915</u>
	4,676,122	4,282,184	4,462,549
Less: shown as 'current financial assets at amortised cost'	( 230,450)	( 433,490)	( 437,990)
Less: Shown as 'current financial assets at amortised cost - pledged'	( 85,309)	-	-
Less: Shown as 'other non-current assets - pledged'	<u>( 1,000)</u>	<u>( 500)</u>	<u>-</u>
	<u>\$ 4,359,363</u>	<u>\$ 3,848,194</u>	<u>\$ 4,024,559</u>

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

B. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group recognised time deposits with maturity over 3 months of \$230,450, \$433,490 and \$437,990, 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

<u>Items</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Non-current items:			
Equity instruments			
Listed stocks	\$ 12,604	\$ 12,604	\$ 12,604
Unlisted stocks	<u>24,820</u>	<u>24,820</u>	<u>24,820</u>
	37,424	37,424	37,424
Valuation adjustment	<u>( 11,576)</u>	<u>( 11,576)</u>	<u>( 11,576)</u>
	<u>\$ 25,848</u>	<u>\$ 25,848</u>	<u>\$ 25,848</u>

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$25,848, \$25,848 and \$25,848 as at September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

B. As of September 30, 2020, December 31, 2019 and September 30, 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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Notes receivable	\$ 23,741	\$ 5,840	\$ 5,156
Less: Allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 23,741</u>	<u>\$ 5,840</u>	<u>\$ 5,156</u>
Accounts receivable	\$ 725,637	\$ 657,270	\$ 550,799
Less: Allowance for uncollectible accounts	<u>( 55,537)</u>	<u>( 55,717)</u>	<u>( 55,942)</u>
	<u>\$ 670,100</u>	<u>\$ 601,553</u>	<u>\$ 494,857</u>

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Not past due	\$ 549,647	\$ 414,171	\$ 337,083
Up to 30 days	97,845	100,158	108,044
31 to 90 days	33,652	70,130	44,559
Over 90 days	<u>12,697</u>	<u>22,934</u>	<u>10,327</u>
	<u>\$ 693,841</u>	<u>\$ 607,393</u>	<u>\$ 500,013</u>

The above ageing analysis was based on past due date.

B. As of September 30, 2020, December 31, 2019 and September 30, 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 \$23,741, \$5,840 and \$5,156; \$670,100, \$601,553 and \$494,857, respectively.

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

(4) Inventories

	September 30, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 512,949	(\$ 19,577)	\$ 493,372
Work in progress	9,930	( 170)	9,760
Finished goods	225,415	( 16,802)	208,613
	<u>\$ 748,294</u>	<u>(\$ 36,549)</u>	<u>\$ 711,745</u>

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

	September 30, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 935,546	(\$ 31,125)	\$ 904,421
Work in progress	47,536	( 173)	47,363
Finished goods	241,251	( 12,958)	228,293
	<u>\$ 1,224,333</u>	<u>(\$ 44,256)</u>	<u>\$ 1,180,077</u>

A. The cost of inventories recognised as expense for the three-month and nine-month periods ended September 30, 2020 and 2019, was \$1,176,502, \$1,237,840, \$3,424,206 and \$4,180,973, respectively, including the amounts of \$1,456, \$0, (\$7,544) and (\$35,473), respectively, the Group wrote down from cost to net realisable value accounted for as cost of goods sold.

B. The Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold as these inventories which had been written down from cost to its net realisable value were subsequently sold for the nine-month periods ended September 30, 2020 and 2019.

(5) Prepayments

	September 30, 2020	December 31, 2019	September 30, 2019
Prepaid expenses	\$ 92,700	\$ 79,088	\$ 84,775
Prepayments to suppliers	120,524	112,520	46,418
Excess business tax paid (or Net Input VAT)	45,856	81,458	68,149
	<u>\$ 259,080</u>	<u>\$ 273,066</u>	<u>\$ 199,342</u>

(6) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2020</u>						
Cost	\$ 499,649	\$ 1,170,229	\$ 986,525	\$ 217,590	\$ 321,390	\$ 3,195,383
Accumulated depreciation	-	( 140,710)	( 313,740)	( 78,279)	( 174,215)	( 706,944)
	<u>\$ 499,649</u>	<u>\$ 1,029,519</u>	<u>\$ 672,785</u>	<u>\$ 139,311</u>	<u>\$ 147,175</u>	<u>\$ 2,488,439</u>
<u>2020</u>						
At January 1	\$ 499,649	\$ 1,029,519	\$ 672,785	\$ 139,311	\$ 147,175	\$ 2,488,439
Additions	-	572	8,280	2,055	10,626	21,533
Disposals	-	-	( 241)	( 109)	( 8)	( 358)
Reclassifications	164,152	817,544	231,941	10,500	37,226	1,261,363
Depreciation charge	-	( 40,823)	( 105,849)	( 16,426)	( 41,093)	( 204,191)
Net exchange differences	-	( 3,228)	( 1,639)	( 89)	( 409)	( 5,365)
At September 30	<u>\$ 663,801</u>	<u>\$ 1,803,584</u>	<u>\$ 805,277</u>	<u>\$ 135,242</u>	<u>\$ 153,517</u>	<u>\$ 3,561,421</u>
<u>At September 30, 2020</u>						
Cost	\$ 663,801	\$ 1,984,795	\$ 1,224,483	\$ 228,835	\$ 367,224	\$ 4,469,138
Accumulated depreciation	-	( 181,211)	( 419,206)	( 93,593)	( 213,707)	( 907,717)
	<u>\$ 663,801</u>	<u>\$ 1,803,584</u>	<u>\$ 805,277</u>	<u>\$ 135,242</u>	<u>\$ 153,517</u>	<u>\$ 3,561,421</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2019</u>						
Cost	\$ 159,301	\$ 1,118,919	\$ 686,909	\$ 204,716	\$ 261,442	\$ 2,431,287
Accumulated depreciation	-	( 102,062)	( 208,304)	( 58,559)	( 136,986)	( 505,911)
	<u>\$ 159,301</u>	<u>\$ 1,016,857</u>	<u>\$ 478,605</u>	<u>\$ 146,157</u>	<u>\$ 124,456</u>	<u>\$ 1,925,376</u>
<u>2019</u>						
At January 1	\$ 159,301	\$ 1,016,857	\$ 478,605	\$ 146,157	\$ 124,456	\$ 1,925,376
Additions	201,305	44,099	50,570	2,568	7,615	306,157
Disposals	-	( 172)	( 5,747)	( 202)	( 531)	( 6,652)
Reclassifications	139,043	19,159	226,662	10,506	33,743	429,113
Depreciation charge	-	( 33,302)	( 78,929)	( 15,550)	( 31,198)	( 158,979)
Net exchange differences	-	( 5,464)	( 2,350)	( 74)	( 562)	( 8,450)
At September 30	<u>\$ 499,649</u>	<u>\$ 1,041,177</u>	<u>\$ 668,811</u>	<u>\$ 143,405</u>	<u>\$ 133,523</u>	<u>\$ 2,486,565</u>
<u>At September 30, 2019</u>						
Cost	\$ 499,649	\$ 1,169,420	\$ 951,814	\$ 216,765	\$ 296,875	\$ 3,134,523
Accumulated depreciation	-	( 128,243)	( 283,003)	( 73,360)	( 163,352)	( 647,958)
	<u>\$ 499,649</u>	<u>\$ 1,041,177</u>	<u>\$ 668,811</u>	<u>\$ 143,405</u>	<u>\$ 133,523</u>	<u>\$ 2,486,565</u>

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



(7) 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:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 28,184	\$ 28,928	\$ 29,400
Buildings	91,901	80,237	82,019
Transportation equipment (Business vehicles)	<u>1,159</u>	<u>1,692</u>	<u>1,959</u>
	<u>\$ 121,244</u>	<u>\$ 110,857</u>	<u>\$ 113,378</u>
		<u>Three-month periods ended September 30,</u>	
		<u>2020</u>	<u>2019</u>
		<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land		\$ 167	\$ 174
Buildings		8,538	9,924
Transportation equipment (Business vehicles)		<u>267</u>	<u>267</u>
		<u>\$ 8,972</u>	<u>\$ 10,365</u>
		<u>Nine-month periods ended September 30,</u>	
		<u>2020</u>	<u>2019</u>
		<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land		\$ 500	\$ 531
Buildings		28,513	27,774
Transportation equipment (Business vehicles)		<u>800</u>	<u>906</u>
		<u>\$ 29,813</u>	<u>\$ 29,211</u>

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

D. For the three-month and nine-month periods ended September 30, 2020 and 2019, the additions to right-of-use assets amounted to \$43,527, \$10,003, \$44,723 and \$13,483, respectively.

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

	Three-month periods ended September 30,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 231	\$ 383
Expense on short-term lease contracts	\$ 6,231	\$ 12,497
Expense on leases of low-value assets	\$ 3,109	\$ 5,379
<u>Nine-month periods ended September 30,</u>		
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 853	\$ 1,176
Expense on short-term lease contracts	\$ 25,086	\$ 39,038
Expense on leases of low-value assets	\$ 8,114	\$ 12,543

F. For the three-month and nine-month periods ended September 30, 2020 and 2019, the Group's total cash outflow for leases amounted to \$18,339, \$27,944, \$63,270 and \$80,392, respectively.

(8) Intangible assets

	Goodwill	Trademarks	Software	Royalty	Others	Total
<u>At January 1, 2020</u>						
Cost	\$ 1,468	\$ 4,855	\$ 38,206	\$ 2,750	\$ 6,611	\$ 53,890
Accumulated amortisation	-	( 4)	( 19,618)	( 868)	( 2,204)	( 22,694)
	<u>\$ 1,468</u>	<u>\$ 4,851</u>	<u>\$ 18,588</u>	<u>\$ 1,882</u>	<u>\$ 4,407</u>	<u>\$ 31,196</u>
<u>2020</u>						
At January 1	\$ 1,468	\$ 4,851	\$ 18,588	\$ 1,882	\$ 4,407	\$ 31,196
Additions –						
acquired separately	-	-	7,078	-	-	7,078
Amortisation charge	-	( 419)	( 10,717)	( 188)	( 1,653)	( 12,977)
Net exchange differences	-	( 2)	-	-	-	( 2)
At September 30	<u>\$ 1,468</u>	<u>\$ 4,430</u>	<u>\$ 14,949</u>	<u>\$ 1,694</u>	<u>\$ 2,754</u>	<u>\$ 25,295</u>
<u>At September 30, 2020</u>						
Cost	\$ 1,468	\$ 4,853	\$ 40,420	\$ 2,600	\$ 6,611	\$ 55,952
Accumulated amortisation	-	( 423)	( 25,471)	( 906)	( 3,857)	( 30,657)
	<u>\$ 1,468</u>	<u>\$ 4,430</u>	<u>\$ 14,949</u>	<u>\$ 1,694</u>	<u>\$ 2,754</u>	<u>\$ 25,295</u>

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Software</u>	<u>Royalty</u>	<u>Other</u>	<u>Total</u>
<u>At January 1, 2019</u>						
Cost	\$ 1,468	\$ 238	\$ 35,391	\$ 2,750	\$ 6,611	\$ 46,458
Accumulated amortisation	-	( 238)	( 20,475)	( 479)	-	( 21,192)
	<u>\$ 1,468</u>	<u>\$ -</u>	<u>\$ 14,916</u>	<u>\$ 2,271</u>	<u>\$ 6,611</u>	<u>\$ 25,266</u>
<u>2019</u>						
At January 1	\$ 1,468	\$ -	\$ 14,916	\$ 2,271	\$ 6,611	\$ 25,266
Additions –						
acquired separately	-	-	11,273	-	-	11,273
Amortisation charge	-	-	( 7,602)	( 300)	( 1,654)	( 9,556)
At September 30	<u>\$ 1,468</u>	<u>\$ -</u>	<u>\$ 18,587</u>	<u>\$ 1,971</u>	<u>\$ 4,957</u>	<u>\$ 26,983</u>
<u>At September 30, 2019</u>						
Cost	\$ 1,468	\$ -	\$ 34,183	\$ 2,750	\$ 6,611	\$ 45,012
Accumulated amortisation	-	-	( 15,596)	( 779)	( 1,654)	( 18,029)
	<u>\$ 1,468</u>	<u>\$ -</u>	<u>\$ 18,587</u>	<u>\$ 1,971</u>	<u>\$ 4,957</u>	<u>\$ 26,983</u>

Details of amortisation on intangible assets are as follows:

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Overhead	\$ -	\$ -
Selling expenses	829	563
Administrative expenses	3,198	3,512
Research and development expenses	630	103
	<u>\$ 4,657</u>	<u>\$ 4,178</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Overhead	\$ 160	\$ -
Selling expenses	2,405	1,712
Administrative expenses	8,493	7,534
Research and development expenses	1,919	310
	<u>\$ 12,977</u>	<u>\$ 9,556</u>

(9) Other non-current assets

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Prepayments for construction			
business facilities	\$ 1,114,334	\$ 1,796,961	\$ 1,716,333
Guarantee deposits paid	38,291	34,491	33,279
Pledged deposit	1,000	500	-
Other non-current assets	21,905	5,772	9,373
	<u>\$ 1,175,530</u>	<u>\$ 1,837,724</u>	<u>\$ 1,758,985</u>

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 1,075,230</u>	0.59%~0.88%	None
<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 200,000</u>	1.07%	None
<u>Type of borrowings</u>	<u>September 30, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 300,000	1.05%~1.09%	Property, plant and equipment
Unsecured borrowings	<u>200,000</u>	1.07%	None
	<u>\$ 500,000</u>		

Interest expense recognised in profit or loss amounted to \$3,816, \$151, \$7,455 and \$218 for the three-month and nine-month periods ended September 30, 2020 and 2019, respectively.

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

<u>Items</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Financial assets - current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks	\$ 28,076	\$ -	\$ -
Valuation adjustment	<u>( 1,118)</u>	<u>-</u>	<u>-</u>
	<u>\$ 26,958</u>	<u>\$ -</u>	<u>\$ -</u>
Financial liabilities - current items:			
Corporate bonds			
Call and put options of corporate bonds	\$ -	(\$ 261)	(\$ 261)
Valuation adjustment	<u>-</u>	<u>261</u>	<u>369</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108</u>

- A. The Group's financial assets at fair value through profit or loss were not pledged to others as collateral.
- B. Amounts recognised in net loss in relation to investments in equity instruments were (\$1,118) and (\$1,118) for the three-month and nine-month periods ended September 30, 2020, respectively. The Group had no investments in equity instruments for the year ended December 31, 2019.
- C. Amounts recognised in net (loss) gain in relation to financial liabilities at fair value through profit or loss were \$0, (\$92), \$0 and \$17 for the three-month and nine-month periods ended September 30, 2020 and 2019, respectively.

(12) Other payables

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Salaries and bonuses payable	\$ 347,054	\$ 502,073	\$ 455,753
Employee bonus payable	220,860	275,580	207,589
Payable on machinery and equipment	48,900	110,423	91,920
Tax payables	17,231	44,396	20,812
Other payables	167,662	150,609	165,537
	<u>\$ 801,707</u>	<u>\$ 1,083,081</u>	<u>\$ 941,611</u>

(13) Bonds payable

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Bonds payable	\$ 435,400	\$ 435,400	\$ 435,400
Less: Discount on bonds payable	( 1,853)	( 4,011)	( 4,728)
	433,547	431,389	430,672
Less: Current portion or exercise of put options	( 433,547)	-	-
	<u>\$ -</u>	<u>\$ 431,389</u>	<u>\$ 430,672</u>

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

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

- (a) The Company issued \$1,200,000, 0% second domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (June 8, 2018 ~ June 8, 2021) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on June 8, 2018.
- (b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue before the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- (c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted; however, the reset conversion price shall not be less than 80% of the conversion price set on the issue date.
- (d) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 1.015075% of the face value as interests upon two years from the

issue date.

- (e) The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.
  - (f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. For the nine-month period ended September 30, 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%.

(14) Pensions

- A. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. The 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 and nine-month periods ended September 30, 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 and nine-month periods ended September 30, 2020 and 2019 were \$6,773, \$11,785, \$23,400 and \$35,369, respectively.

(15) Share-based payment

A. For the nine-month periods ended September 30, 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:

	Nine-month periods ended September 30,			
	2020		2019	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	718	\$ 100	1,318	\$ 100
Options expired	( 44)	100	( 53)	100
Options exercised	( 577)	100	( 521)	100
Options outstanding at the end of the period	<u>97</u>	<u>\$ 100</u>	<u>744</u>	<u>\$ 100</u>
Options exercisable at the end of the period	<u>97</u>	<u>\$ 100</u>	<u>36</u>	<u>\$ 100</u>

	Nine-month periods ended September 30,			
	2020		2019	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	1,827	\$ 448	1,945	\$ 448
Options expired	( 104)	448	( 114)	448
Options granted	-	-	-	-
Options outstanding at the end of the period	<u>1,723</u>	<u>\$ 448</u>	<u>1,831</u>	<u>\$ 448</u>
Options exercisable at the end of the period	<u>721</u>	<u>\$ 448</u>	<u>-</u>	<u>\$ -</u>

C. The weighted-average stock price of stock options at exercise dates for the three-month and nine-month periods ended September 30, 2020 and 2019 was \$293.33, \$353.39, \$257.05 and \$423.88, respectively.

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

Issue date approved	Expiry date	September 30, 2020		December 31, 2019		September 30, 2019	
		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	97	\$ 100	718	\$ 100	744	\$ 100
2018.05.15	2024.05.14	1,723	448	1,827	448	1,831	448



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

Type of arrangement	Issuance date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility (%)	Expected option life (year)	Expected dividends	Risk-free interest rate(%)	Fair value per unit (in dollars)
Employee stock options	2016.07.01	\$ 145.50	\$ 100	41.92~ 44.63	1.75	-	0.605~ 0.719	\$ 41.55~ 45.10
Restricted stocks to employee	2016.07.20	\$ 139.00	\$ 10	32.73	-	-	0.52	\$ 111.65
Employee stock options	2018.05.15	\$ 440.00	\$ 448	26.10~ 30.25	3.62	-	0.5636~ 0.6814	\$ 63.16~ 106.15
Restricted stocks to employee	2019.09.30	\$ 282.00	\$ 10	-	0.50	-	-	\$ 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 September 30,	
	2020	2019
Equity-settled	\$ 30,432	\$ 45,347
	Nine-month periods ended September 30,	
	2020	2019
Equity-settled	\$ 91,295	\$ 75,903

G. On June 26, 2019, the Company issued 900 thousand shares of employee restricted ordinary shares as approved by the regulatory authority. The exercise price is \$10 (in dollars) per share and the fair value is determined based on the closing price of \$282 at the grant date less the exercise price of \$10. The information relating to the restrictions on the shareholder's right is provided in Note 6(15). Other than these restrictions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

(16) Share capital

- A. As of September 30, 2020, the Company's authorised capital was \$2,000,000, and the paid-in capital was \$1,176,012, 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
Restricted stocks to employee - stocks redeemed	-	( 16)	( 16)
Retirement of treasury shares	-	( 2,000)	( 2,000)
At September 30	-	117,601	117,601

  

	2019		
	Private placement of ordinary share	Unrestricted shares	Total
At January 1	-	102,232	102,232
Stock dividends	-	15,391	15,391
Conversion of corporate bonds	-	518	518
Employee stock options exercised	-	42	42
At September 30	-	118,183	118,183

B. Treasury shares

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

Name of company holding the shares	Reason for reacquisition	September 30, 2020	
		Number of shares	Carrying amount
The Company	To be reissued to employees	1,016,000	\$ 226,857

There was no such transaction as of September 30, 2019.

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

- C. To enhance the Company's credit rating and the stockholders' equity, on February 6, 2020, the Board of Directors of the Company during their meeting resolved to proceed with repurchasing of its own shares from the over-the-counter market in the amount of 2 million shares within 2 months from the reported date. On April 30, 2020, the Board of Directors of the Company resolved to retire all the repurchased shares. As of September 30, 2020, all the repurchased shares have been retired.
- D. To be reissued to employees, on March 23, 2020, the Board of Directors of the Company during their meeting resolved to proceed with repurchasing of its own shares from the over-the-counter market in the amount of 3 million shares within 2 months from the reported date. Treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. As of September 30, 2020, the Company has repurchased 1,016 thousand shares, considering the efficiency of capital utilisation and the employees' willingness to subscribe for the shares, the Company will not repurchase more shares.

(17) Capital surplus

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

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.
- B. The Company's dividend policy is summarised below: as the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans, and cash dividends shall account for at least 10% of the total dividends distributed. However, if the Company has sufficient retained earnings and capital, the Company may increase cash dividends in proportion to total dividends.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. Special reserve

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

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

E. On 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 June 18, 2020, the stockholders approved the distribution of dividends from the 2019 earnings in the amount of \$1,040,622, with cash dividends of \$8.88 (in dollars) per share.

(19) Other equity items

	2020			
	Unrealized	Currency	Unearned	Total
	gains (losses) on valuation		employee compensation	
At January 1	(\$ 11,576)	(\$ 314,133)	(\$ 95,417)	(\$ 421,126)
Currency translation differences	-	( 33,709)	-	( 33,709)
Compensation cost of share-based payments	-	-	62,286	62,286
At September 30	<u>(\$ 11,576)</u>	<u>(\$ 347,842)</u>	<u>(\$ 33,131)</u>	<u>(\$ 392,549)</u>
	2019			
	Unrealized	Currency	Unearned	Total
	gains (losses) on valuation		employee compensation	
	At January 1	(\$ 11,576)	(\$ 156,770)	(\$ 4,425)
Currency translation differences	-	( 117,245)	-	( 117,245)
Compensation cost of share-based payments	-	-	( 162,293)	( 162,293)
At September 30	<u>(\$ 11,576)</u>	<u>(\$ 274,015)</u>	<u>(\$ 166,718)</u>	<u>(\$ 452,309)</u>

Amounts that the Group recognised in other comprehensive income due to the change in fair value and the amounts that the Group transferred from other equity to profit and loss for the three-month and nine-month periods ended September 30, 2020 and 2019 are all \$0.

(20) Operating revenue

	Nine-month periods ended September 30,	
	2020	2019
Revenue from contracts with customers	<u>\$ 6,168,980</u>	<u>\$ 7,236,723</u>

A. Disaggregation of revenue from contracts with customers

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

Three-month period ended September 30, 2020	Europe and America region	Asia Pacific region	Total
Total segment revenue	\$ 450,046	\$ 3,044,719	\$ 3,494,765
Inter-segment revenue	( 172,039)	( 1,165,994)	( 1,338,033)
Revenue from external customer contracts	<u>\$ 278,007</u>	<u>\$ 1,878,725</u>	<u>\$ 2,156,732</u>

Three-month period ended September 30, 2019	Europe and America region	Asia Pacific region	Total
Total segment revenue	\$ 140,472	\$ 3,255,739	\$ 3,396,211
Inter-segment revenue	( 27,754)	( 1,297,558)	( 1,325,312)
Revenue from external customer contracts	<u>\$ 112,718</u>	<u>\$ 1,958,181</u>	<u>\$ 2,070,899</u>

Nine-month period ended September 30, 2020	Europe and America region	Asia Pacific region	Total
Total segment revenue	\$ 844,932	\$ 8,980,285	\$ 9,825,217
Inter-segment revenue	( 260,288)	( 3,395,949)	( 3,656,237)
Revenue from external customer contracts	<u>\$ 584,644</u>	<u>\$ 5,584,336</u>	<u>\$ 6,168,980</u>

Nine-month period ended September 30, 2019	Europe and America region	Asia Pacific region	Total
Total segment revenue	\$ 471,382	\$ 10,676,405	\$ 11,147,787
Inter-segment revenue	( 112,006)	( 3,799,058)	( 3,911,064)
Revenue from external customer contracts	<u>\$ 359,376</u>	<u>\$ 6,877,347</u>	<u>\$ 7,236,723</u>

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

B. Contract assets and liabilities

As of September 30, 2020, December 31, 2019, September 30, 2019 and January 1, 2019, the Group has not recognized any revenue-related contract assets, while the Group has recognized contract liabilities below:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>	<u>January 1, 2019</u>
Contract liabilities				
– advance sales receipts	<u>\$ 751,299</u>	<u>\$ 579,789</u>	<u>\$ 812,349</u>	<u>\$ 1,229,641</u>

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

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

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	\$ <u>13,864</u>	\$ <u>101,676</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Advance sales receipts	\$ <u>536,444</u>	\$ <u>1,072,821</u>

(21) Interest income

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest income from bank deposits (Note)	\$ <u>15,024</u>	\$ <u>27,439</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest income from bank deposits (Note)	\$ <u>23,409</u>	\$ <u>49,094</u>

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

(22) Other income

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Other income - others	\$ <u>77,161</u>	\$ <u>65,243</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Other income - others	\$ <u>107,710</u>	\$ <u>124,815</u>

(23) Other gains and losses

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Losses on disposal of property, plant and equipment	(\$ 358)	(\$ 3,768)
Foreign exchange losses	( 7,197)	( 16,037)
Losses on financial assets (liabilities) at fair value through profit or loss	( 1,118)	( 92)
Miscellaneous disbursements	( 134)	-
	<u>(\$ 8,807)</u>	<u>(\$ 19,897)</u>

  

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Losses on disposal of property, plant and equipment	(\$ 253)	(\$ 3,839)
Foreign exchange gains (losses)	4,782	( 12,530)
(Losses) gains on financial assets (liabilities) at fair value through profit or loss	( 1,118)	17
Miscellaneous disbursements	( 757)	( 419)
	<u>\$ 2,654</u>	<u>(\$ 16,771)</u>

(24) Finance costs

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest expense		
Bank borrowings	\$ 3,816	\$ 151
Convertible bonds	752	716
Leases	231	383
	<u>\$ 4,799</u>	<u>\$ 1,250</u>

  

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest expense		
Bank borrowings	\$ 7,455	\$ 218
Convertible bonds	2,158	2,319
Leases	853	1,176
	<u>\$ 10,466</u>	<u>\$ 3,713</u>

(25) Expenses by nature

	Three-month periods ended September 30,	
	2020	2019
Employee benefit expense	\$ 325,708	\$ 389,623
Depreciation charges on property, plant and equipment	81,385	68,998
Operating lease payments	9,340	17,876
Amortisation charges on intangible assets	4,657	4,178
	<u>\$ 421,090</u>	<u>\$ 480,675</u>

  

	Nine-month periods ended September 30,	
	2020	2019
Employee benefit expense	\$ 883,908	\$ 1,162,870
Depreciation charges on property, plant and equipment	234,004	188,190
Operating lease payments	33,200	51,581
Amortisation charges on intangible assets	12,977	9,556
	<u>\$ 1,164,089</u>	<u>\$ 1,412,197</u>

(26) Employee benefit expense

	Three-month periods ended September 30,	
	2020	2019
Wages and salaries	\$ 256,560	\$ 294,611
Employee stock options (Note)	30,432	45,347
Labour and health insurance fees	19,222	21,116
Pension costs	6,773	11,785
Other personnel expenses	12,721	16,764
	<u>\$ 325,708</u>	<u>\$ 389,623</u>

  

	Nine-month periods ended September 30,	
	2020	2019
Wages and salaries	\$ 674,731	\$ 941,736
Employee stock options (Note)	91,295	75,903
Labour and health insurance fees	57,007	61,366
Pension costs	23,400	35,369
Other personnel expenses	37,475	48,496
	<u>\$ 883,908</u>	<u>\$ 1,162,870</u>

Note: It was equity-settled.



- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 5%~15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the three-month and nine-month periods ended September 30, 2020 and 2019, employees' compensation was accrued at \$41,769, \$27,943, \$109,837 and \$109,940, respectively; while directors' and supervisors' remuneration was accrued at \$1,050, \$525, \$3,150 and \$1,575, 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 nine-month period ended September 30, 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.

(27) Income tax

A. Income tax expense

Components of income tax expense:

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Current tax:		
Current tax on profits for the period	\$ 110,935	\$ 58,747
Tax on undistributed surplus earnings	-	1,150
Effect from investment tax credits	-	( 671)
Prior year income tax overestimation	( 609)	( 684)
Total current tax	<u>110,326</u>	<u>58,542</u>
Deferred tax:		
Origination and reversal of temporary differences	( 658)	11,841
Prior year deferred tax asset overestimation (underestimation)	<u>8</u>	( 4,255)
Total deferred tax	<u>( 650)</u>	<u>7,586</u>
Income tax expense	<u>\$ 109,676</u>	<u>\$ 66,128</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Current tax:		
Current tax on profits for the period	\$ 317,564	\$ 321,478
Tax on undistributed surplus earnings	30,827	35,273
Effect from investment tax credits	( 30,827)	( 34,763)
Prior year income tax overestimation	( 51,913)	( 52,278)
Total current tax	<u>265,651</u>	<u>269,710</u>
Deferred tax:		
Origination and reversal of temporary differences	( 20,389)	21,429
Prior year deferred tax asset underestimation	( 4,317)	( 7,473)
Total deferred tax	<u>( 24,706)</u>	<u>13,956</u>
Income tax expense	<u>\$ 240,945</u>	<u>\$ 283,666</u>

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

(28) Earnings per share

	<u>Three-month period ended September 30, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 494,290	116,837	\$ 4.23
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 494,290		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	1,482	1,400	
Employee' stock option	-	78	
Employees' compensation	-	408	
Restricted stocks	-	197	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 495,772</u>	<u>118,920</u>	<u>\$ 4.17</u>
	<u>Three-month period ended September 30, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 360,775	118,737	\$ 3.04
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 360,775		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	3,782	1,197	
Employee' stock option	-	805	
Employees' compensation	-	352	
Restricted stocks	-	104	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 364,557</u>	<u>121,195</u>	<u>\$ 3.01</u>

	<u>Nine-month period ended September 30, 2020</u>		
	<u>Amount after</u> <u>tax</u>	<u>Weighted average number of</u> <u>ordinary shares outstanding</u> <u>(shares in thousands)</u>	<u>Earnings</u> <u>per share</u> <u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 1,390,853	117,287	\$ 11.86
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,390,853		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	1,482	1,440	
Employee' stock option	-	75	
Employees' compensation	-	580	
Restricted stocks	-	185	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,392,335</u>	<u>119,567</u>	<u>\$ 11.64</u>
	<u>Nine-month period ended September 30, 2019</u>		
	<u>Amount after</u> <u>tax</u>	<u>Weighted average number of</u> <u>ordinary shares outstanding</u> <u>(shares in thousands)</u>	<u>Earnings</u> <u>per share</u> <u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 1,608,270	118,292	\$ 13.60
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,608,270		
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	3,782	1,197	
Employee' stock option	-	840	
Employees' compensation	-	410	
Restricted stocks	-	104	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,612,052</u>	<u>120,843</u>	<u>\$ 13.34</u>

Note : For the three-month and nine-month periods ended September 30, 2019, the weighted average circulation of shares has been retrospectively adjusted to the number of shares of the Company's stock dividends in 2019.

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

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

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

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

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

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

(30) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Purchase of property, plant and equipment	\$ 21,533	\$ 306,157
Add: Opening balance of payable on equipment	110,423	64,134
Less: Ending balance of payable on equipment	( 48,900)	( 91,920)
Cash paid during the period	<u>\$ 83,056</u>	<u>\$ 278,371</u>

B. Financing activities with no cash flow effects

	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Convertible bonds being converted to capital stocks	\$ -	\$ 66,052

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant related party transactions

A. Purchases:

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Purchase and processing fees:		
Other related parties	\$ 16,736	\$ 118,961
	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Purchase and processing fees:		
Other related parties	\$ 57,091	\$ 186,852

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:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Accounts receivable:			
Other related parties	\$ 1,433	\$ 1,610	\$ -

C. Payables to related parties:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Accounts payable:			
Other related parties	\$ 8,697	\$ 29,278	\$ 48,479

(3) Key management compensation

	<u>Three-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 65,684	\$ 52,889
Share-based payments	24,318	51,285
	<u>\$ 90,002</u>	<u>\$ 104,174</u>
	<u>Nine-month periods ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 117,988	\$ 96,240
Share-based payments	72,471	70,449
	<u>\$ 190,459</u>	<u>\$ 166,689</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>	
Property, plant and equipment	\$ 1,170,359	\$ 394,890	\$ 395,439	Short-term and long-term borrowings
Current financial assets at amortised cost	85,309	-	-	Short-term borrowings
Other non-current assets	1,000	500	-	Contract security deposit
	<u>\$ 1,256,668</u>	<u>\$ 395,390</u>	<u>\$ 395,439</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Property, plant and equipment	\$ 353,800	\$ 568,807	\$ 524,374

B. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group's total unused letters of credit was \$16,802, \$25,685 and \$190,682, 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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 26,958	\$ -	\$ -
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	\$ 4,359,363	\$ 3,848,194	\$ 4,024,559
Financial assets at amortised cost	315,759	433,490	437,990
Notes receivable	23,741	5,840	5,156
Accounts receivable	670,100	601,553	494,857
Accounts receivable-related parties	1,433	1,610	-
Other receivables	32,825	18,500	17,543
Guarantee deposits paid	38,291	34,491	33,279
Other financial assets	1,000	500	-
	<u>\$ 5,442,512</u>	<u>\$ 4,944,178</u>	<u>\$ 5,013,384</u>



	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities designated as at fair value through profit or loss	\$ -	\$ -	\$ 108
Financial liabilities at amortised cost			
Short-term borrowings	\$ 1,075,230	\$ 200,000	\$ 500,000
Notes payable	595	3,115	63,889
Accounts payable	791,169	920,869	983,983
Accounts payable-related parties	8,697	29,278	48,479
Other accounts payable	801,707	1,083,081	941,611
Corporate bonds payable (including current portion)	433,547	431,389	430,672
Long-term borrowings (including current portion)	3,980	-	-
	<u>\$ 3,114,925</u>	<u>\$ 2,667,732</u>	<u>\$ 2,968,634</u>
Lease liability	<u>\$ 94,564</u>	<u>\$ 83,387</u>	<u>\$ 84,992</u>

#### B. Financial risk management policies

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

#### C. Significant financial risks and degrees of financial risks

##### (a) Market risk

##### Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

		September 30, 2020		
(Foreign currency: functional currency)		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
RMB:NTD	RMB	165,764	4.2690	\$ 707,647
USD:NTD	USD	16,946	29.1000	493,129
EUR:NTD	EUR	7,063	34.1500	241,201
JPY:NTD	JPY	816,963	0.2756	225,155
<u>Financial liabilities</u>				
<u>Monetary items</u>				
RMB:NTD	RMB	52,510	4.2690	\$ 224,165
USD:NTD	USD	6,538	29.1000	190,256
EUR:NTD	EUR	3,037	34.1500	103,714
JPY:NTD	JPY	312,861	0.2756	86,224
		December 31, 2019		
(Foreign currency: functional currency)		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
RMB:NTD	RMB	211,671	4.3050	\$ 911,244
USD:NTD	USD	7,769	29.9800	232,915
JPY:NTD	JPY	525,748	0.2760	145,106
SGD:NTD	SGD	2,592	22.8000	59,098
<u>Financial liabilities</u>				
<u>Monetary items</u>				
RMB:NTD	RMB	45,139	4.3050	\$ 194,323
JPY:NTD	JPY	535,298	0.2760	147,742
USD:NTD	USD	2,038	29.9800	61,099
EUR:NTD	EUR	1,528	33.5900	51,326
		September 30, 2019		
(Foreign currency: functional currency)		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
RMB:NTD	RMB	153,801	4.5210	\$ 695,334
USD:NTD	USD	10,839	31.0600	336,659
JPY:NTD	JPY	316,172	0.2886	91,247
SGD:NTD	SGD	3,071	22.9700	70,541
<u>Financial liabilities</u>				
<u>Monetary items</u>				
JPY:NTD	JPY	1,058,731	0.2886	\$ 305,550
RMB:NTD	RMB	108,450	4.5210	490,302
USD:NTD	USD	1,218	31.0600	37,831
EUR:NTD	EUR	877	35.3800	31,028

- iii. The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2020 and 2019, amounted to (\$7,197), (\$16,037), \$4,782 and (\$12,530), respectively.
- iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

(Foreign currency: functional currency)	Nine-month period ended September 30, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB:NTD	1%	\$ 7,076	\$ -
USD:NTD	"	4,931	-
EUR:NTD	"	2,412	-
JPY:NTD	"	2,252	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
RMB:NTD	1%	\$ 2,242	\$ -
USD:NTD	"	1,903	-
EUR:NTD	"	1,037	-
JPY:NTD	"	862	-
(Foreign currency: functional currency)	Nine-month period ended September 30, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
RMB:NTD	1%	\$ 6,953	\$ -
USD:NTD	"	3,367	-
JPY:NTD	"	912	-
SGD:NTD	"	705	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
JPY:NTD	1%	\$ 3,055	\$ -
RMB:NTD	"	4,903	-
EUR:NTD	"	310	-
USD:NTD	"	378	-

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other

comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

- ii. The Group's investments in equity securities comprise shares issued by the domestic or foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, profit for the nine-month periods ended September 30, 2020 and 2019 would have increased/decreased by \$270 and \$0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$258 and \$258, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

#### Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the nine-month periods ended September 30, 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 nine-month periods ended September, 2020 and 2019 would have increased/decreased by \$863 and \$400, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

#### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

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

- iv. In accordance with the Group's credit risk management policies, the default occurs when the contract payments are past due over certain days.
- v. The Group classifies customers' accounts receivable in accordance with credit risk. The Group applies the modified approach using loss rate methodology to estimate expected credit loss.
- vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of September 30, 2020, December 31, 2019 and September, 2019, the loss rate methodology is as follows:

	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
<u>At September 30, 2020</u>					
Expected loss rate	0%~0.23%	0%~20.23%	0%~100%	100.00%	
Total book value	\$ 549,647	\$ 160,289	\$ 39,442	\$ -	\$ 749,378
Loss allowance	\$ -	\$ 21,551	\$ 33,986	\$ -	\$ 55,537
	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
<u>At December 31, 2019</u>					
Expected loss rate	0%~0.23%	0%~20.23%	0%~100%	100.00%	
Total book value	\$ 414,030	\$ 174,686	\$ 74,394	\$ -	\$ 663,110
Loss allowance	\$ -	\$ 4,257	\$ 51,460	\$ -	\$ 55,717
	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>	<u>Total</u>
<u>At September 30, 2019</u>					
Expected loss rate	0%~0.23%	0%~20.23%	0%~100%	100.00%	
Total book value	\$ 337,083	\$ 174,371	\$ 44,501	\$ -	\$ 555,955
Loss allowance	\$ -	\$ 25,788	\$ 30,154	\$ -	\$ 55,942

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

	<u>2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
At January 1	\$ 55,717	\$ -
Provision for impairment	8	-
Write-offs	( 8)	-
Effect of foreign exchange	( 180)	-
At September 30	<u>\$ 55,537</u>	<u>\$ -</u>

	2019	
	Accounts receivable	Notes receivable
At January 1	\$ 56,552	\$ -
Provision for impairment	2,055	-
Write-offs	( 1,779)	-
Effect of foreign exchange	( 886)	-
At September 30	<u>\$ 55,942</u>	<u>\$ -</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- ii. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group has undrawn borrowing facilities of \$8,846,464, \$1,932,077 and \$1,474,277, 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:

September 30, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	\$ 1,075,230	\$ -	\$ -
Notes payable	595	-	-
Accounts payable (including related parties)	799,866	-	-
Other payables	801,707	-	-
Guarantee deposits received	-	11,099	-
Lease liability	36,290	27,987	35,173
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	-	-
Lease liability	39,413	18,008	28,191
Guarantee deposits received	-	11,193	-
Convertible bonds	-	439,820	-

Non-derivative financial liabilities:

September 30, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Short-term borrowings	\$ 500,000	\$ -	\$ -
Notes payable	63,889	-	-
Accounts payable (including related parties)	1,032,462	-	-
Other payables (including related parties)	941,611	-	-
Lease liability	39,523	19,624	28,508
Guarantee deposits received	-	11,310	-
Convertible bonds	-	439,820	-

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

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

C. The related information of financial and non-financial instruments measured at fair value by level

on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

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

<u>September 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 26,958	\$ -	\$ -	\$ 26,958
Financial assets at fair value through other comprehensive income				
Equity securities	<u>1,196</u>	<u>-</u>	<u>24,652</u>	<u>25,848</u>
	<u>\$ 28,154</u>	<u>\$ -</u>	<u>\$ 24,652</u>	<u>\$ 52,806</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Call and put options of corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 1,196</u>	<u>\$ -</u>	<u>\$ 24,652</u>	<u>\$ 25,848</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Call and put options of corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>September 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 1,196</u>	<u>\$ -</u>	<u>\$ 24,652</u>	<u>\$ 25,848</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Call and put options of corporate bonds	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ 108</u>



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

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

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

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
- iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

- D. For the nine-month periods ended September 30, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- E. For the nine-month periods ended September 30, 2020 and 2019, no Level 3 financial instrument was changed.
- F. For the nine-month periods ended September 30, 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 September 30, 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; the higher the discount rate, the lower the fair value.
			Weighted average cost of capital	9.41%	
	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; the higher the discount rate, the lower the fair value.
			Weighted average cost of capital	9.41%	

	Fair value at September 30, 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  Discount for lack of marketability	1.38~1.83  19.89% ~21.04%	The higher the value of net assets, the higher the fair value; 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:

		September 30, 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	

		September 30, 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. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(11) and 12(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

#### (2) Information on investees

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

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

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

#### (4) Major shareholders information

Major shareholders information: Please refer to table 10.

### 14. SEGMENT INFORMATION

#### (1) General information

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

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

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

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

	Taiwan	Asia	Others	Adjustment and reversal	Total
<u>Three-month period ended</u>					
<u>September 30, 2020</u>					
Revenue from external customers	\$ 425,472	\$ 1,535,239	\$ 196,021	\$ -	\$ 2,156,732
Revenue from internal customers	<u>1,251,130</u>	<u>86,903</u>	<u>-</u>	<u>( 1,338,033)</u>	<u>-</u>
Segment revenue	<u>\$ 1,676,602</u>	<u>\$ 1,622,142</u>	<u>\$ 196,021</u>	<u>(\$ 1,338,033)</u>	<u>\$ 2,156,732</u>
Segment income	<u>\$ 622,640</u>	<u>\$ 368,249</u>	<u>\$ 15,968</u>	<u>(\$ 505,288)</u>	<u>\$ 501,569</u>
Segment income / loss, including:					
Depreciation and amortisation	<u>\$ 63,430</u>	<u>\$ 22,194</u>	<u>\$ 276</u>	<u>\$ -</u>	<u>\$ 85,900</u>
Interest income	<u>42</u>	<u>14,982</u>	<u>-</u>	<u>-</u>	<u>15,024</u>
Interest expense	<u>4,699</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>4,799</u>
Income tax expense	<u>89,616</u>	<u>20,060</u>	<u>-</u>	<u>-</u>	<u>109,676</u>
Investment profit or loss which is adopting equity method	<u>188,561</u>	<u>95,508</u>	<u>-</u>	<u>( 284,069)</u>	<u>-</u>
	Taiwan	Asia	Others	Adjustment and reversal	Total
<u>Three-month period ended</u>					
<u>September 30, 2019</u>					
Revenue from external customers	\$ 431,244	\$ 1,607,162	\$ 32,493	\$ -	\$ 2,070,899
Revenue from internal customers	<u>1,004,139</u>	<u>321,173</u>	<u>-</u>	<u>( 1,325,312)</u>	<u>-</u>
Segment revenue	<u>\$ 1,435,383</u>	<u>\$ 1,928,335</u>	<u>\$ 32,493</u>	<u>(\$ 1,325,312)</u>	<u>\$ 2,070,899</u>
Segment income (loss)	<u>\$ 509,723</u>	<u>\$ 444,585</u>	<u>(\$ 291)</u>	<u>(\$ 588,603)</u>	<u>\$ 365,414</u>
Segment income / loss, including:					
Depreciation and amortisation	<u>\$ 51,954</u>	<u>\$ 20,929</u>	<u>\$ 293</u>	<u>\$ -</u>	<u>\$ 73,176</u>
Interest income	<u>478</u>	<u>26,961</u>	<u>-</u>	<u>-</u>	<u>27,439</u>
Interest expense	<u>1,030</u>	<u>220</u>	<u>-</u>	<u>-</u>	<u>1,250</u>
Income tax expense	<u>33,094</u>	<u>33,031</u>	<u>3</u>	<u>-</u>	<u>66,128</u>
Investment profit or loss which is adopting equity method	<u>226,350</u>	<u>121,860</u>	<u>-</u>	<u>( 348,210)</u>	<u>-</u>

	Taiwan	Asia	Others	Adjustment and reversal	Total
<u>Nine-month period ended</u>					
<u>September 30, 2020</u>					
Revenue from external customers	\$ 1,173,716	\$ 4,697,615	\$ 297,649	\$ -	\$ 6,168,980
Revenue from internal customers	3,371,259	284,978	-	( 3,656,237)	-
Segment revenue	<u>\$ 4,544,975</u>	<u>\$ 4,982,593</u>	<u>\$ 297,649</u>	<u>(\$ 3,656,237)</u>	<u>\$ 6,168,980</u>
Segment income	<u>\$ 1,764,949</u>	<u>\$ 1,156,739</u>	<u>\$ 16,219</u>	<u>(\$ 1,534,180)</u>	<u>\$ 1,403,727</u>
Segment income / loss, including:					
Depreciation and amortisation	<u>\$ 181,996</u>	<u>\$ 64,146</u>	<u>\$ 839</u>	<u>\$ -</u>	<u>\$ 246,981</u>
Interest income	<u>352</u>	<u>23,057</u>	<u>-</u>	<u>-</u>	<u>23,409</u>
Interest expense	<u>10,074</u>	<u>392</u>	<u>-</u>	<u>-</u>	<u>10,466</u>
Income tax expense	<u>160,547</u>	<u>80,398</u>	<u>-</u>	<u>-</u>	<u>240,945</u>
Investment profit or loss which is adopting equity method	<u>545,269</u>	<u>312,315</u>	<u>-</u>	<u>( 857,584)</u>	<u>-</u>
Segment total assets	<u>\$ 14,130,030</u>	<u>\$ 11,437,861</u>	<u>\$ 167,902</u>	<u>(\$ 14,344,704)</u>	<u>\$ 11,391,089</u>
Segment assets including:					
Investment which is adopting equity method	<u>\$ 4,457,818</u>	<u>\$ 2,459,260</u>	<u>\$ -</u>	<u>(\$ 6,917,078)</u>	<u>\$ -</u>
Capital expenditure of non-current asset	<u>645,053</u>	<u>31,095</u>	<u>-</u>	<u>-</u>	<u>676,148</u>
Segment total liabilities	<u>\$ 3,779,881</u>	<u>\$ 1,236,403</u>	<u>\$ 148,707</u>	<u>(\$ 769,917)</u>	<u>\$ 4,395,074</u>
	Taiwan	Asia	Other	Adjustment and reversal	Total
<u>Nine-month period ended</u>					
<u>September 30, 2019</u>					
Revenue from external customers	\$ 1,252,466	\$ 5,856,406	\$ 127,851	\$ -	\$ 7,236,723
Revenue from internal customers	3,332,199	578,865	-	( 3,911,064)	-
Segment revenue	<u>\$ 4,584,665</u>	<u>\$ 6,435,271</u>	<u>\$ 127,851</u>	<u>(\$ 3,911,064)</u>	<u>\$ 7,236,723</u>
Segment income	<u>\$ 2,143,404</u>	<u>\$ 1,797,971</u>	<u>\$ 488</u>	<u>(\$ 2,316,668)</u>	<u>\$ 1,625,195</u>
Segment income / loss, including:					
Depreciation and amortisation	<u>\$ 143,350</u>	<u>\$ 53,619</u>	<u>\$ 777</u>	<u>\$ -</u>	<u>\$ 197,746</u>
Interest income	<u>2,282</u>	<u>46,812</u>	<u>-</u>	<u>-</u>	<u>49,094</u>
Interest expense	<u>3,058</u>	<u>655</u>	<u>-</u>	<u>-</u>	<u>3,713</u>
Income tax expense	<u>154,160</u>	<u>129,503</u>	<u>3</u>	<u>-</u>	<u>283,666</u>
Investment profit or loss which is adopting equity method	<u>839,889</u>	<u>506,774</u>	<u>-</u>	<u>( 1,346,663)</u>	<u>-</u>
Segment total assets	<u>\$ 12,751,466</u>	<u>\$ 10,647,644</u>	<u>\$ 72,231</u>	<u>(\$ 12,646,788)</u>	<u>\$ 10,824,553</u>
Segment assets including:					
Investment which is adopting equity method	<u>\$ 3,940,103</u>	<u>\$ 2,083,189</u>	<u>\$ -</u>	<u>(\$ 6,023,292)</u>	<u>\$ -</u>
Capital expenditure of non-current asset	<u>1,301,835</u>	<u>214,125</u>	<u>963</u>	<u>-</u>	<u>1,516,923</u>
Segment total liabilities	<u>\$ 3,083,024</u>	<u>\$ 1,831,831</u>	<u>\$ 63,435</u>	<u>(\$ 898,487)</u>	<u>\$ 4,079,803</u>

For the three-month and nine-month periods ended September 30, 2020 and 2019, sales to Europe and America of reporting department-Taiwan amounted to \$81,233, \$78,422, \$287,347 and

\$229,722, respectively, and sales to Europe and America of reporting department-Asia and others amounted to \$196,774, \$34,296, \$297,297 and \$129,654, 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 nine-month periods ended September 30, 2020 and 2019.

TCI CO., LTD. AND SUBSIDIARIES

Loans to others

Nine-month period ended September 30, 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 nine-month period ended September 30, 2020 (Note 3)	Balance at September 30, 2020	Actual amount drawn down	Interest rate	Nature of loan (Note 4)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for uncollectible accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	SHANGHAI BIOFUNCTION CO., LTD.	TCI CO., LTD.	Other receivables - related parties	Y	\$ 510,600	\$ 510,600	\$ -	4.35%	2	\$ -	For operating capital	\$ -	None	\$ -	\$ 993,783	\$ 993,783	Notes 5 and 6
2	SHANGHAI BIOSCIENCE CO., LTD.	TCI CO., LTD.	Other receivables - related parties	Y	340,400	340,400	-	4.35%	2	-	For operating capital	-	None	-	378,047	378,047	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 nine-month period ended September 30, 2020. The amount is calculated at the closing rate of RMB\$1 : NTD\$4.2690, the exchange rate used in original transaction shall be adopted if there was no movement.

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

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

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

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



TCI CO., LTD. AND SUBSIDIARIES  
Provision of endorsements and guarantees to others  
Nine-month period ended September 30, 2020

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of September 30, 2020	Outstanding endorsement/ guarantee amount at September 30, 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	\$ 1,254,346	\$ 1,400,000	\$ 1,000,000	\$ -	\$ -	15.94	\$ 3,135,865	Y	N	N	Note 3

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

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

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

- (1)Having business relationship.
- (2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/ guaranteed subsidiary.
- (3)The Endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/ guaranteed company.
- (4)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

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

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

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

Note 5: On July 24, 2020, the Board of Directors of the Company resolved to adjust the endorsement/guarantee amount from \$1,400,000 to \$1,000,000.

TCI CO., LTD. AND SUBSIDIARIES

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

September 30, 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 September 30, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
TCI CO., LTD.	BILLION ELECTRIC CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	125,039	\$ 1,196	0.13	\$ 1,196	
TCI CO., LTD.	LIN LIE INTEGRATION CO., LTD.	None	Financial assets at fair value through other comprehensive income - non-current	54,000	372	3.48	372	
TCI CO., LTD.	PURE MILK CO., LTD.	The company was an institutional shareholder of PURE MILK CO., LTD..	Financial assets at fair value through other comprehensive income - non-current	403,333	22,000	9.84	22,000	
TCI CO., LTD.	NIPPI INC	None	Financial assets at fair value through profit or loss - current	9,900	9,742	0.34	9,742	
TCI CO., LTD.	MAXIGEN BIOTECH INC.	None	Financial assets at fair value through profit or loss - current	371,000	8,589	0.53	8,589	
TCI CO., LTD.	SYNGEN BIOTECH CO.,LTD.	None	Financial assets at fair value through profit or loss - current	81,000	8,627	0.30	8,627	
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

Nine-month period ended September 30, 2020

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	Subsidiary	(Sales)	\$ 1,612,911	( 36.70)	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.	\$ 54,565	10.93	
TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	Subsidiary	(Sales)	1,346,442	( 30.63)	60-90 days	The prices and terms of sales and purchases are available to third parties.	Terms for collections are approximately the same as those with third parties.	-	-	
TCI CO., LTD.	TCI BIOTECH LLC	Subsidiary	(Sales)	262,408	( 5.97)	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.	107,234	21.47	
TCI CO., LTD.	TCI JAPAN CO., LTD.	Subsidiary	Purchases	109,604	4.36	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.	( 13,635)	( 1.73)	

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

TCI CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

September 30, 2020

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	
					Amount	Action taken			
TCI CO., LTD.	TCI BIOTECH LLC	Subsidiary	Accounts receivable	\$ 107,234	3.16	\$ -	-	\$ 107,234	\$ -

Note: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity.

TCI CO., LTD. AND SUBSIDIARIES  
Significant inter-company transactions during the reporting periods  
Nine-month period ended September 30, 2020

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	1	Sales of goods	\$ 1,612,911	The prices and terms of sales and purchases are available to third parties.	26.15
0	TCI CO., LTD.	SHANGHAI BIOTRADE CO., LTD.	1	Accounts receivable	54,565	The prices and terms of sales and purchases are available to third parties.	0.48
0	TCI CO., LTD.	SHANGHAI BIOFUNCTION CO., LTD.	1	Sales of goods	1,346,442	The prices and terms of sales and purchases are available to third parties.	21.83
0	TCI CO., LTD.	TCI BIOTECH LLC	1	Sales of goods	262,408	The prices and terms of sales and purchases are available to third parties.	4.25
0	TCI CO., LTD.	TCI BIOTECH LLC	1	Accounts receivable	107,234	The prices and terms of sales and purchases are available to third parties.	0.94
0	TCI CO., LTD.	TCI JAPAN CO., LTD.	1	Purchases	109,604	The prices and terms of sales and purchases are available to third parties.	1.78

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  
Nine-month period ended September 30, 2020

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2020			Net profit (loss) of the investee for the nine-month period ended September 30, 2020	Investment income(loss) recognised by the Company for the nine-month period ended September 30, 2020	Footnote
				Balance as at September 30, 2020	Balance as at December 31, 2019	Number of shares	Ownership (%)	Book value			
TCI CO., LTD.	TCI FIRSTEK CORP.	Taiwan	Wholesale and retail of health foods and cosmetics	\$ 43,685	\$ 43,685	238,296,886	100.00	\$ 2,963,691	\$ 339,756	\$ 339,756	None
TCI CO., LTD.	GENE & NEXT INC.	Taiwan	Research and development of biotechnology and genetics	64,250	64,250	9,541,125	61.19	125,161	19,874	12,161	None
TCI CO., LTD.	TCI HK LIMITED	Hong Kong	Trading health foods and cosmetics	21,046	21,046	-	100.00	13,928	603	603	None
TCI CO., LTD.	TCI BIOTECH LLC	U.S.A.	Trading health foods and cosmetics	8,778	8,778	-	100.00	22,012	18,987	18,987	None
TCI CO., LTD.	BIOCOSME CO., LTD.	Taiwan	Trading health foods and cosmetics	5,000	5,000	500,000	100.00	5,006	-	-	None
TCI CO., LTD.	TCI JAPAN CO., LTD.	JAPAN	Trading health foods and cosmetics	15,626	15,626	5,500	100.00	23,425	2,382	2,382	None
GENE & NEXT INC.	GLUX HK LIMITED	Hong Kong	Trading health foods and cosmetics	29,542	29,542	-	100.00	458	568	348	None
GENE & NEXT INC.	TCI LIVING CO., LTD.	Taiwan	Trading health foods and cosmetics	43,175	43,175	2,760,000	79.31	33,765	1,033	501	None
TCI LIVING CO., LTD.	SBI GROUP HK LIMITED	Hong Kong	Trading health foods and cosmetics	-	-	-	100.00	3,918	2	1	None
TCI CO., LTD.	PT TCI BIOTEK INDO	Indonesia	Trading health foods and cosmetics	-	-	-	100.00	91	10	10	Note 3
TCI CO., LTD.	TCI BIOTECH NETHERLANDS B.V.	Netherlands	Trading health foods and cosmetics	-	-	-	100.00	( 2,817) (	( 2,768) (	( 2,768) (	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 September 30, 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 nine-month period ended September 30, 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 nine-month period ended September 30, 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 September 30, 2020.

TCI CO., LTD. AND SUBSIDIARIES  
Information on investments in Mainland China  
Nine-month period ended September 30, 2020

Table 8

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020	Net income of investee as of September 30, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2020	Book value of investments in Mainland China as of September 30, 2020	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
SHANGHAI BIOTRADE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetic manufacturing	\$ 14,841	Note 3	\$ 15,440	\$ -	\$ -	\$ 15,440	\$ 345,218	100.00	\$ 345,218	\$ 3,215,163	\$ 289,047	Note 5 Note 6
SHANGHAI BIOSCIENCE CO., LTD.	Wholesale of health foods, cosmetics and chemical productions; cosmetics manufacturing	25,614	Note 2	-	-	-	-	295,382	100.00	295,382	2,959,798	-	Note 5 Note 6
SHANGHAI BIOCOSME CO., LTD.	Producing cosmetics	140,877	Note 2	-	-	-	-	33,800	100.00	33,800	180,141	-	Note 5 Note 6
SHANGHAI BIOFUNCTION CO., LTD.	Producing health foods	1,139,220	Note 1	438,307	-	-	438,307	478,739	100.00	478,739	3,769,731	-	Note 5 Note 6
BIO DYNAMIC LABORATORIES INC.	Trading health foods and cosmetics	28,244	Note 3	-	-	-	-	-	48.53	-	2,756	-	Note 5 Note 6
SHANGHAI BIOTECHGENE TECHNOLOGY CO., LTD.	Research and development of biotechnology and genetics	42,690	Note 4	-	-	-	-	325	100.00	325	43,392	-	Note 5 Note 6
TCI LIVING SHANGHAI CO., LTD.	Trading health foods and cosmetics	2,910	Note 3	-	-	-	-	( 131)	48.53	( 64)	1,374	-	Note 5 Note 6

Note 1 : Reinvestments in a company in Mainland China through parent company in Taiwan and Shanghai BioScience Co., Ltd.. (USD\$14,400 and RMB\$168,700)

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

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

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

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 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 FIRSTEK CORP.	15,440	15,440	1,916,080

Note 6 : The numbers in this table are expressed in New Taiwan dollars, except for: assets and liabilities presents at RMB\$1 : NTD\$4.2690, USD\$1 : NTD\$29.1000; income presents at RMB\$1 : NTD\$4.2581, USD\$1 : NTD\$29.8027;

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

Nine-month period ended September 30, 2020

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the nine- month period ended September 30, 2020	Others	
	Amount	%	Amount	%	Balance at September 30, 2020	%	Balance at September 30, 2020	Purpose	Maximum balance during the nine-month period ended September 30, 2020	Balance at September 30, 2020	Interest rate			
SHANGHAI BIOFUNCTION CO., LTD.	\$ 1,346,442	30.63	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
SHANGHAI BIOTRADE CO., LTD.	1,612,911	36.70	-	-	54,565	10.93	-	-	-	-	-	-	-	-

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

September 30, 2020

Table 10

Name of major shareholders	Shares	
	Number of shares held	Ownership
DYDO GROUP HOLDINGS INC.	9,593,216	8.12%