

**TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Nine Months Ended September 30, 2018 and 2017**

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*Notice to readers*

*This English-version consolidated financial statement is a summary translation of the Chinese version. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

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TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
September 30, 2018, December 31, 2017 and September 30, 2017  
(Numbers as of September 30, 2018 and 2017 Are Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

Assets	Notes	September 30, 2018	December 31, 2017	September 30, 2017
<b>Current assets</b>				
Cash and cash equivalents	4, 6(1)	\$ 1,542,266	\$ 1,934,276	\$ 2,142,406
Financial assets at fair value through profit or loss, current	4, 6(2)	40,607	17,463	23,117
Notes receivable, net	4, 6(3)	1,238,334	2,027,778	2,002,896
Accounts receivable, net	4, 6(4)	3,940,073	2,748,633	3,010,841
Other receivables		70,799	55,865	52,979
Inventories, net	4, 6(5)	1,829,632	1,626,286	1,504,907
Prepayments		140,081	95,630	100,195
Other current assets	8	<u>27,196</u>	<u>26,746</u>	<u>28,566</u>
Total current assets		<u>8,828,988</u>	<u>8,532,677</u>	<u>8,865,907</u>
<b>Non-current assets</b>				
Financial assets at fair value through other comprehensive income, non-current	4, 6(6)	-	-	-
Financial assets carried at cost, non-current	4, 6(7)	-	-	-
Investments accounted for under the equity method	4, 6(8)	52,410	-	-
Property, plant and equipment	4, 6(9)	2,801,541	2,876,458	2,820,473
Intangible assets	4, 6(10,12)	113,964	121,378	118,277
Deferred income tax assets	4, 6(25)	186,060	130,697	114,724
Other non-current assets	4, 6(11)	<u>143,065</u>	<u>72,026</u>	<u>71,137</u>
Total non-current assets		<u>3,297,040</u>	<u>3,200,559</u>	<u>3,124,611</u>
<b>Total assets</b>		<u>\$ 12,126,028</u>	<u>\$ 11,733,236</u>	<u>\$ 11,990,518</u>

(The accompanying notes are an integral part of the consolidated financial statements.)

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS-(Continued)  
September 30, 2018, December 31, 2017 and September 30, 2017  
(Numbers as of September 30, 2018 and 2017 Are Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	September 30, 2018	December 31, 2017	September 30, 2017
<b>Current liabilities</b>				
Short-term loans	6(13)	\$ 1,498,057	\$ 656,596	\$ 1,296,087
Financial liabilities at fair value through profit or loss, current	4, 6(14)	-	13,351	12,820
Contract liabilities – current	6(20)	991	-	-
Notes payable		37,296	324	325
Accounts payable		1,740,828	2,416,532	2,323,237
Other payables		580,878	666,715	570,554
Current income tax liabilities	4, 6(25)	158,916	115,338	89,717
Current portion of long-term loans	6(16)	114,384	44,825	27,673
Lease payable – current	6(15)	718	639	-
Other current liabilities		1,557	5,777	9,370
Total current liabilities		<u>4,133,625</u>	<u>3,920,097</u>	<u>4,329,783</u>
<b>Non-current liabilities</b>				
Long-term loans	6(16)	505,217	210,871	236,264
Deferred income tax liabilities	4, 6(25)	148,175	176,327	173,605
Lease payable – non-current	6(15)	1,640	2,499	-
Net defined benefit liabilities, non-current	4, 6(17)	192,138	184,124	199,613
Other non-current liabilities	4, 12	255	255	2,717
Total non-current liabilities		<u>847,425</u>	<u>574,076</u>	<u>612,199</u>
Total liabilities		<u>4,981,050</u>	<u>4,494,173</u>	<u>4,941,982</u>
<b>Equity attributable to shareholders of the parent</b>				
Capital	6(18)			
Common stock		2,091,197	2,087,802	2,084,507
Capital collected in advance		-	665	3,295
Total capital		<u>2,091,197</u>	<u>2,088,467</u>	<u>2,087,802</u>
Capital surplus	6(18)	1,446,626	1,441,339	1,439,670
Retained earnings				
Legal capital reserve		815,590	742,131	742,131
Special capital reserve		75,546	102,158	102,158
Unappropriated earnings		2,775,128	2,845,730	2,664,781
Total retained earnings		<u>3,666,264</u>	<u>3,690,019</u>	<u>3,509,070</u>
Others	4	(177,294)	(92,974)	(94,320)
Treasury stocks	6(18)	-	-	-
Total equity attributable to shareholders of the parent		<u>7,026,793</u>	<u>7,126,851</u>	<u>6,942,222</u>
Non-controlling interests	4, 6(18)	118,185	112,212	106,314
Total equity		<u>7,144,978</u>	<u>7,239,063</u>	<u>7,048,536</u>
<b>Total liabilities and equity</b>		<u>\$ 12,126,028</u>	<u>\$ 11,733,236</u>	<u>\$ 11,990,518</u>

(Concluded)

(The accompanying notes are an integral part of the consolidated financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the Three Months and Nine Months Ended September 30, 2018 and 2017  
(Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

	Notes	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
		<u>September 30</u>		<u>September 30</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net revenue	4, 6(20)	\$ 2,848,163	\$ 3,224,316	\$ 7,233,316	\$ 8,313,786
Cost of revenue	4, 6(5)	(2,218,265)	(2,571,445)	(5,679,145)	(6,717,436)
Gross profit		<u>629,898</u>	<u>652,871</u>	<u>1,554,171</u>	<u>1,596,350</u>
Unrealized sales profit or loss		-	-	-	(95)
Gross profit, net		<u>629,898</u>	<u>652,871</u>	<u>1,554,171</u>	<u>1,596,255</u>
Operating expenses	4, 6(23)				
Sales and marketing expenses		(119,722)	(126,359)	(333,476)	(332,737)
General and administrative expenses		(109,956)	(123,826)	(316,678)	(289,366)
Research and development expenses		(69,643)	(68,484)	(189,004)	(180,839)
Impairment gains on expected credit loss	6(21)	14,129	-	53,115	-
Total operating expenses		<u>(285,192)</u>	<u>(318,669)</u>	<u>(786,043)</u>	<u>(802,942)</u>
Operating income		<u>344,706</u>	<u>334,202</u>	<u>768,128</u>	<u>793,313</u>
Non-operating income and expenses	6(24)				
Other income		8,130	7,439	27,373	21,127
Other gains and losses		(61,094)	41,592	(123,195)	2,815
Finance costs		(11,467)	(16,525)	(42,066)	(50,559)
Share of profit or loss of associates under the equity method	4, 6(8)	3,244	-	20,622	-
Total non-operating income and expenses		<u>(61,187)</u>	<u>32,506</u>	<u>(117,266)</u>	<u>(26,617)</u>
Income before income tax		<u>283,519</u>	<u>366,708</u>	<u>650,862</u>	<u>766,696</u>
Income tax expense	4, 6(25)	(43,937)	(80,444)	(152,240)	(186,947)
Net income of continuing operations		<u>239,582</u>	<u>286,264</u>	<u>498,622</u>	<u>579,749</u>
Net income		<u>239,582</u>	<u>286,264</u>	<u>498,622</u>	<u>579,749</u>
Other comprehensive income (loss)	6(24)				
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(111,704)	32,676	(100,097)	(23,764)
Income tax benefit (expense) related to components of other comprehensive income that may be reclassified subsequently to profit or loss		<u>22,341</u>	<u>(5,555)</u>	<u>22,172</u>	<u>4,040</u>
Total other comprehensive income, net of tax		<u>(89,363)</u>	<u>27,121</u>	<u>(77,925)</u>	<u>(19,724)</u>
Total comprehensive income		<u>\$ 150,219</u>	<u>\$ 313,385</u>	<u>\$ 420,697</u>	<u>\$ 560,025</u>
Net income (loss) attributable to:	4, 6(26)				
Shareholders of the parent		\$ 237,832	\$ 280,431	\$ 492,444	\$ 573,668
Non-controlling interests		<u>1,750</u>	<u>5,833</u>	<u>6,178</u>	<u>6,081</u>
		<u>\$ 239,582</u>	<u>\$ 286,264</u>	<u>\$ 498,622</u>	<u>\$ 579,749</u>
Total comprehensive income (loss) attributable to:					
Shareholders of the parent		\$ 148,723	\$ 307,419	\$ 414,724	\$ 544,021
Non-controlling interests		<u>1,496</u>	<u>5,966</u>	<u>5,973</u>	<u>6,004</u>
		<u>\$ 150,219</u>	<u>\$ 313,385</u>	<u>\$ 420,697</u>	<u>\$ 560,025</u>
Earnings per share (NT\$)	4, 6(26)				
Earnings per share - basic		<u>\$ 1.14</u>	<u>\$ 1.36</u>	<u>\$ 2.36</u>	<u>\$ 2.78</u>
Earnings per share - diluted		<u>\$ 1.13</u>	<u>\$ 1.35</u>	<u>\$ 2.34</u>	<u>\$ 2.76</u>

(The accompanying notes are an integral part of the consolidated financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the Nine Months Ended September 30, 2018 and 2017  
(Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent											
	Retained Earnings						Others					
	Common Stock	Capital Collected in Advance	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain/Loss on Financial Assets at Fair Value through Other Comprehensive Income	Treasury Stocks	Total	Non- Controlling Interests	Total Equity
Balance as of January 1, 2017	\$ 2,083,252	\$ -	\$1,407,558	\$ 684,163	\$ 102,158	\$ 2,561,335	\$ (74,673)	\$ -	\$ (98,744)	\$ 6,665,049	\$ 100,310	\$ 6,765,359
Appropriation and distribution of 2016 earnings												
Legal capital reserve				57,968		(57,968)				-		-
Cash dividends for common shares						(412,254)				(412,254)		(412,254)
Changes in other capital surplus												
Share-based payment	1,255	3,295	32,112						98,744	135,406		135,406
Net income for the nine months ended September 30, 2017						573,668				573,668	6,081	579,749
Other comprehensive income (loss) for the nine months ended September 30, 2017							(19,647)			(19,647)	(77)	(19,724)
Total comprehensive income	-	-	-	-	-	573,668	(19,647)	-	-	554,021	6,004	560,025
Balance as of September 30, 2017	<u>\$ 2,084,507</u>	<u>\$ 3,295</u>	<u>\$1,439,670</u>	<u>\$ 742,131</u>	<u>\$ 102,158</u>	<u>\$2,664,781</u>	<u>\$ (94,320)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,942,222</u>	<u>\$ 106,314</u>	<u>\$ 7,048,536</u>
Balance as of January 1, 2018	\$ 2,087,802	\$ 665	\$1,441,339	\$ 742,131	\$ 102,158	\$2,845,730	\$ (92,974)	\$ -	\$ -	\$ 7,126,851	\$ 112,212	\$ 7,239,063
Effect of retrospective application						6,600		(6,600)		-		-
Adjusted balance as of January 1, 2018	<u>2,087,802</u>	<u>665</u>	<u>1,441,339</u>	<u>742,131</u>	<u>102,158</u>	<u>2,852,330</u>	<u>(92,974)</u>	<u>(6,600)</u>	<u>-</u>	<u>7,126,851</u>	<u>112,212</u>	<u>7,239,063</u>
Appropriation and distribution of 2017 earnings												
Legal capital reserve				73,459		(73,459)				-		-
Cash dividends for common shares						(522,799)				(522,799)		(522,799)
Changes in other capital surplus												
Changes in associates accounted for under the equity method			(1,566)							(1,566)		(1,566)
Share-based payment	3,395	(665)	6,853							9,583		9,583
Others					(26,612)	26,612				-		-
Net income for the nine months ended September 30, 2018						492,444				492,444	6,178	498,622
Other comprehensive income (loss) for the nine months ended September 30, 2018							(77,720)			(77,720)	(205)	(77,925)
Total comprehensive income	-	-	-	-	-	492,444	(77,720)	-	-	414,724	5,973	420,697
Balance as of September 30, 2018	<u>\$ 2,091,197</u>	<u>\$ -</u>	<u>\$1,446,626</u>	<u>\$ 815,590</u>	<u>\$ 75,546</u>	<u>\$2,775,128</u>	<u>\$ (170,694)</u>	<u>\$ (6,600)</u>	<u>\$ -</u>	<u>\$ 7,026,793</u>	<u>\$ 118,185</u>	<u>\$ 7,144,978</u>

(The accompanying notes are an integral part of the consolidated financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Nine Months Ended September 30, 2018 and 2017  
(Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

	Nine Months Ended September 30	
	2018	2017
Cash flows from operating activities:		
Income before income tax	\$ 650,862	\$ 766,696
Adjustments:		
Non-cash income and expense items:		
Depreciation	215,402	206,192
Amortization	22,008	21,228
Impairment gains on expected credit loss	(53,115)	(7,847)
Net (gain) loss of financial assets (liabilities) at fair value through profit or loss	(12,339)	23,047
Interest expense	42,066	50,559
Interest income	(12,569)	(12,952)
Compensation cost related to share-based payment	-	22,647
Share of profit of associates under the equity method	(20,622)	-
(Gain) loss on disposal of property, plant and equipment	(45)	462
Gain on liquidation of subsidiaries	(35,481)	-
Gain on reversal of impairment loss for non-financial assets	(32,332)	-
Others	113,871	(3,755)
Changes in operating assets and liabilities:		
Decrease in financial assets held for trading	-	2,663
Increase in financial assets mandatorily at fair value through profit or loss	(24,156)	-
Decrease (increase) in notes receivable	789,444	(460,137)
Increase in accounts receivable	(1,136,859)	(205,455)
Increase in other receivables	(15,033)	(6,632)
Increase in inventories	(235,176)	(368,753)
(Increase) decrease in prepayments	(44,451)	1,378
Increase in other current assets	(431)	(1,318)
Increase in other non-current assets	(168)	(771)
Decrease in contract liabilities	(1,580)	-
Increase (decrease) in notes payable	36,972	(177,568)
(Decrease) increase in accounts payable	(675,704)	189,961
(Decrease) increase in other payables	(58,403)	20,459
Decrease in other current liabilities	(1,744)	(6,529)
Increase in net defined benefit liabilities	8,014	9,337
Increase in other non-current liabilities	-	2,671
Cash generated from operations	<u>(481,569)</u>	<u>65,583</u>
Interest received	12,668	13,865
Interest paid	(42,099)	(49,233)
Income tax paid	<u>(171,745)</u>	<u>(148,427)</u>
Net cash used in operating activities	<u><u>(682,745)</u></u>	<u><u>(118,212)</u></u>

(The accompanying notes are an integral part of the consolidated financial statements.)

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)  
For the Nine Months Ended September 30, 2018 and 2017  
(Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

	Nine Months Ended September 30	
	2018	2017
Cash flows from investing activities:		
Acquisition of property, plant and equipment	\$ (262,509)	\$ (258,565)
Disposal of property, plant and equipment	1,230	394
Increase in refundable deposits	-	(668)
Decrease in refundable deposits	7,914	-
Acquisition of intangible assets	(6,419)	(15,706)
Increase in other current assets - other financial assets, current	(19)	-
Decrease in other current assets - other financial assets, current	-	16,428
Increase in other non-current assets	(88,205)	-
Net cash used in investing activities	<u>(348,008)</u>	<u>(258,117)</u>
Cash flows from financing activities:		
Increase in short-term loans	841,461	356,304
Increase in long-term loans	363,905	-
Repayment of long-term loans	-	(506,861)
Decrease in lease payable	(1,049)	-
Distribution of cash dividends	(522,799)	(412,254)
Exercise of employee stock options	9,583	16,319
Purchase of treasury stocks by employees	-	96,440
Net cash provided by (used in) financing activities	<u>691,101</u>	<u>(450,052)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(52,358)</u>	<u>(13,421)</u>
Net decrease in cash and cash equivalents	(392,010)	(839,802)
Cash and cash equivalents at beginning of period	1,934,276	2,982,208
Cash and cash equivalents at end of period	<u>\$ 1,542,266</u>	<u>\$ 2,142,406</u>

(Concluded)

(The accompanying notes are an integral part of the consolidated financial statements.)



TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2018 and 2017 and the Year Ended December 31, 2017  
(Numbers for the Nine Months Ended September 30, 2018 and 2017 Are Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. History and Organization

Taiflex Scientific Company Limited (“the Company”) was incorporated in August, 1997. Its main operations consist of manufacturing, research and development, and selling of flexible copper-clad laminate, cover layer and PV module backsheet. The shares of the Company commenced trading on Taiwan’s Over-the-Counter Market on December 19, 2003 and were listed on the Taiwan Stock Exchange on December 17, 2009.

2. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the nine months ended September 30, 2018 and 2017 were approved and authorized for issue in the Board of Directors’ meeting on October 23, 2018.

3. Newly Issued or Revised Standards and Interpretations

(1) The Group has adopted International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations and SIC interpretations endorsed by the Financial Supervisory Commission (FSC) to take effect for annual periods beginning on January 1, 2018. The first-time adoption does not have any material impact on the Group except for the following descriptions on the nature and the impact of the newly issued or revised standards and interpretations:

A. IFRS 15 “Revenue from Contracts with Customers” (including the relevant clarifications associated with IFRS 15)

IFRS 15 replaces IAS 11 “Construction Contracts”, IAS 18 “Revenue” and relevant interpretations. The Group chooses to recognize the cumulative effect of the first-time adoption on the initial application date (i.e. January 1, 2018) in accordance with the transitional provisions of IFRS 15 and to retrospectively apply IFRS 15 to contracts that are not completed on that date.

The Group’s revenue from contracts with customers mostly involves the sale of goods. The impact of IFRS 15 on the Group’s recognition of revenue is as follows:

- (a) Please refer to Note 4 for accounting policies adopted by the Group after and prior to January 1, 2018.
- (b) Prior to January 1, 2018, the Group recognizes revenue from the sale of goods when the products are delivered to the customers. For reporting periods starting on or after January 1, 2018, revenue is recognized when the promised products are transferred to the customers and the performance obligation is satisfied under IFRS 15. The adoption of IFRS 15 does not have any material impact on the Group’s recognition of revenue from the sale of goods. As for contracts where a part of the considerations is collected upon signing the contracts, the Group assumes the obligations to transfer the goods subsequently. Prior to January 1, 2018, the considerations collected in advance are recognized as other current liabilities. After January 1, 2018, they are recognized as contract liabilities in accordance with IFRS 15. The Group reclassified NT\$2,571 thousand from other current liabilities to contract liabilities

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Reviewed, not Audited)

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

on January 1, 2018. In addition, as of September 30, 2018, other current liabilities decreased by NT\$991 thousand and contract liabilities increased by NT\$991 thousand comparing to the adoption of IAS 18.

(c) Please refer to Notes 4, 5 and 6 for additional disclosures required by IFRS 15.

**B. IFRS 9 “Financial Instruments”**

IFRS 9 replaces IAS 39. In accordance with the transitional provisions of IFRS 9, the Group chooses not to restate the comparative periods upon the initial application date (i.e. January 1, 2018). The effects of adopting IFRS 9 are as follows:

(a) The Group adopts IFRS 9 starting from January 1, 2018 and prior to this date, IAS 39 is used. Please refer to Note 4 for details on accounting policies.

(b) In accordance with the transitional provisions of IFRS 9, the business model is assessed and the financial assets are classified into appropriate categories pursuant to IFRS 9 based on the facts and circumstances that exist as of January 1, 2018. The classifications and carrying amounts of those financial assets as of January 1, 2018 are as follows:

IAS 39		IFRS 9	
Measurement Category	Carrying Amount	Measurement Category	Carrying Amount
Fair value through profit or loss (including carried at cost)	\$ 17,463	Fair value through profit or loss	\$ 17,463
Measured at amortized cost		Measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, financial assets measured at amortized cost and other receivables)	
Loans and receivables (including cash and cash equivalents, notes and accounts receivables, other financial assets and other receivables)	6,786,254		6,786,254
<b>Total</b>	<b>\$ 6,803,717</b>	<b>Total</b>	<b>\$ 6,803,717</b>

(c) Detailed information concerning the changes in the classifications of financial assets and financial liabilities for the transition from IAS 39 to IFRS 9 as of January 1, 2018 is as follows:

IAS 39		IFRS 9		Adjustment on Retained Earnings	Adjustment on Other Equity
Account	Carrying Amount	Account	Carrying Amount		
Financial assets at fair value through profit or loss					
Designated as at fair value through profit or loss	\$ 17,463	At fair value through profit or loss	\$ 17,463		
Available-for-sale financial assets (including financial assets measured at cost) (Note)	0	At fair value through other comprehensive income – equity instruments	0	\$ 6,600	(\$ 6,600)
<b>Sub-total</b>	<b>\$ 17,463</b>				

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
(Reviewed, not Audited)  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

IAS 39		IFRS 9		Adjustment	Adjustment
Account	Carrying Amount	Account	Carrying Amount	on Retained Earnings	on Other Equity
Loans and receivables (Note)					
Cash and cash equivalents (excluding cash on hand)	\$ 1,933,624	Cash and cash equivalents (excluding cash on hand)	\$ 1,933,624		
Other financial assets	20,354	Other financial assets	20,354		
Notes receivable	2,027,778	Notes receivable	2,027,778		
Accounts receivable	2,748,633	Accounts receivable	2,748,633		
Other receivables	55,865	Other receivables	55,865		
Sub-total	<u>\$ 6,786,254</u>				
Total	<u>\$ 6,803,717</u>	Total	<u>\$ 6,803,717</u>	<u>\$ 6,600</u>	<u>(\$ 6,600)</u>

(Concluded)

Note: Investments classified as available-for-sale financial assets in accordance with IAS 39 include investments in funds, stocks and bonds of listed (OTC) companies and non-listed (OTC) stocks. Details concerning the changes in classification are as follows:

Investments in stocks (both listed (OTC) and non-listed (OTC) stocks)

The assessment is conducted based on the facts and circumstances that exist as of January 1, 2018. As these investments (equity instruments) are not held-for-trading, the Group chooses to designate them as financial assets at fair value through other comprehensive income. The amount reclassified from available-for-sale financial assets (including ones measured at cost) to financial assets at fair value through other comprehensive income was NT\$0 thousand as of January 1, 2018. Other relevant adjustments are as follows:

Impairment loss is recognized fully for the non-listed (OTC) stocks with an initial carrying amount of NT\$6,600 thousand that are measured at cost pursuant to IAS 39. However, under IFRS 9, those stocks shall be measured at fair value and the recognition of impairment loss is not required. As the fair value is deemed to be NT\$0 thousand as of January 1, 2018, the Group would adjust the carrying amount of financial assets at fair value through other comprehensive income. The retained earnings and other equity (i.e. unrealized gain/loss on financial assets at fair value through other comprehensive income) would also be adjusted by NT\$6,600 thousand each.

For items classified as loans and receivables in accordance with IAS 39, their cash flows are solely payments of principal and interest on the outstanding principal. Based on the facts and circumstances that existed as at January 1, 2018, as the business model is assessed to be one that collects contractual cash flows, they are measured at amortized cost. In addition, no adjustment arisen from the impairment assessment conducted in accordance with IFRS 9 on January 1, 2018. Thus, the carrying amount as of January 1, 2018 is not affected.

(d) Please refer to Notes 4, 5, 6 and 12 for disclosures required by IFRS 7 and IFRS 9.

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C. Disclosure Initiative (Amendments to IAS 7 “Statement of Cash Flows”)

A reconciliation between the opening and closing balances for liabilities arising from financing activities of the Group is provided. Please refer to Note 12 for disclosures required.

- (2) The Group has not adopted the following new, revised and amended standards or interpretations issued by International Accounting Standards Board (IASB) and endorsed by FSC:

No.	Projects of New, Revised and Amended Standards or Interpretations	Effective Date
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28	Investments in Associates and Joint Ventures	January 1, 2019
IFRS 9	Prepayment Features with Negative Compensation	January 1, 2019
Improvements to IFRS (2015-2017 cycle)		January 1, 2019
IAS 19	Employee Benefits	January 1, 2019

A. IFRS 16 “Leases”

The new standard requires lessees to adopt a single accounting model for all leases except for certain exemptions. Nearly all leases will be capitalized on the balance sheet by recognizing assets and liabilities. Moreover, lessors continue to classify leases as operating or finance leases.

B. IFRIC 23 “Uncertainty over Income Tax Treatments”

The interpretation clarifies the application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

C. Amendments to IAS 28 “Investments in Associates and Joint Ventures”

The amendments clarify that prior to the adoption of IAS 28, IFRS 9 shall be used to account for the long-term interests that form part of the net investment in the associates or joint ventures. Also, during the application of IFRS 9, adjustments arising from the adoption of IAS 28 shall not be considered.

D. Amendments to IFRS 9 “Financial Instruments”

The amendments allow financial assets with prepayment features (parties to the contract may pay or receive reasonable compensation for early termination of the contracts) to be measured at amortized cost or at fair value through other comprehensive income.

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E. Improvements to IFRS (2015-2017 cycle)

IFRS 3 “Business Combinations”

The amendments clarify that when an entity having joint control over a joint operation obtains control of the joint operation, it remeasures previously held interests in that business.

IFRS 11 “Joint Arrangements”

The amendments clarify that when an entity that participates in (but has no joint control over) a joint operation obtains joint control over the joint operation, it does not remeasure previously held interests in that business.

IAS 12 “Income Taxes”

The amendments clarify that entities shall recognize income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on how the originating transaction or event that has given rise to the dividends is recognized.

IAS 23 “Borrowing Costs”

The amendments clarify that when a qualifying asset is ready for its intended use or sale, the entity shall treat borrowings related specifically to the acquisition of such an asset as general borrowings.

F. Amendments to IAS 19 “Employee Benefits”

The amendments clarify that when changes occurred to the defined benefit plan (e.g. amendment, curtailment or settlement), entities shall remeasure the net defined benefit liability or asset using the updated assumptions.

The abovementioned new, revised and amended standards or interpretations are issued by IASB and endorsed by FSC to take effect starting from January 1, 2019. The Group currently assesses the potential effects of the new, revised and amended standards or interpretations in the preceding A to F paragraphs on the financial position and performance of the Group. The outcome will be disclosed upon completion of the assessment.

- (3) As of the date of issuance of the financial statements, the Group has not adopted the following new, revised and amended standards or interpretations issued by IASB and but not yet endorsed by FSC:

No.	Projects of New, Revised and Amended Standards or Interpretations	Effective Date
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 17	Insurance Contracts	January 1, 2021

The potential effects of adopting above standards or interpretations, which are issued by IASB but not yet endorsed by FSC, in the preparation of Group’s financial statements for future periods are listed below:

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Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The plan deals with the inconsistency between IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” in relation to the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 states that when non-monetary assets are contributed in exchange for an interest in an associate or a joint venture, the share of gains and losses shall be eliminated in accordance with the treatments of a downstream transaction. However, IFRS 10 requires a full recognition of gains or losses arising from the loss of control of a subsidiary. The amendments place restrictions on the above-mentioned rules of IAS 28, where gains or losses are recognized in full for sale or contribution of assets that constitute a business, as defined in IFRS 3. The amendments also change IFRS 10 where gains or losses arising from the sale or contributions of a subsidiary, that does not constitute a business as defined in IFRS 3, between an investor and its associate or joint venture are recognized only to the extent of their shares owned by non-investors.

The Group currently assesses the potential effects of the new, revised and amended standards or interpretations in the preceding paragraph on the financial position and performance of the Group. The outcome will be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements for the nine months ended September 30, 2018 and 2017 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” endorsed and issued into effect by FSC.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

The Group adopts the same preparation principle as the one used in the preparation of consolidated financial statements for the year ended December 31, 2017. Please refer to the consolidated financial statements for the year ended December 31, 2017 for details.

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The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Percentage of Ownership		
			2018.9.30	2017.12.31	2017.9.30
The Company	Taistar Co., Ltd. (Taistar)	Investment holding	100.00%	100.00%	100.00%
The Company	Leadmax Ltd. (Leadmax)	Trading of electronic materials	100.00%	100.00%	100.00%
The Company	Koatech Technology Corporation (Koatech)	Manufacturing and selling of electronic materials and components	53.86%	53.86%	53.86%
The Company	TFS Co., Ltd. (TFS)	Investment holding	100.00%	100.00%	100.00%
The Company	Taiflex Scientific Japan Co., Ltd. (Japan Taiflex)	Trading of electronic materials and technical support	100.00%	100.00%	100.00%
The Company	Taiflex USA Corporation (USA Taiflex)	Technical service of electronic materials and marketing	100.00%	-	-
The Company	Richstar Co., Ltd. (Richstar)	Investment holding	53.01%	-	-
Taistar	TSC International Ltd. (TSC)	Investment holding	100.00%	100.00%	100.00%
TSC	Kunshan Taiflex Electronic Material Co., Ltd. (Kunshan Taiflex)	Trading of coating materials for high polymer film and copper foil	- (Note)	100.00%	100.00%
TSC	Taiflex Scientific (Kunshan) Co., Ltd. (Taiflex Kunshan)	Manufacturing and selling of coating materials for high polymer film and copper foil	100.00%	100.00%	100.00%
TFS	RICHSTAR Co., Ltd. (RICHSTAR)	Investment holding	46.99%	100.00%	100.00%
RICHSTAR	Shenzhen Taiflex Electronic Co., Ltd. (Shenzhen Taiflex)	Trading of coating materials for high polymer film and copper foil	100.00%	100.00%	100.00%
RICHSTAR	Rudong Fuzhan Scientific Co., Ltd. (Rudong Fuzhan)	Manufacturing and selling of electronic materials	100.00%	-	-
Koatech	KTC Global Co., Ltd. (KTC Global)	Investment holding	100.00%	100.00%	100.00%
KTC Global	KTC PanAsia Co., Ltd. (KTC PanAsia)	Investment holding	100.00%	100.00%	100.00%
KTC PanAsia	Kunshan Koatech Technology Corporation (Kunshan Koatech)	A wholesaler and a commission agent of electronic materials and components	100.00%	100.00%	100.00%

Note: The liquidation of Kunshan Taiflex Electronic Material Co., Ltd. was completed by August, 2018.

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The financial statements of some immaterial subsidiaries in the consolidated entities above were not reviewed by auditors. The total assets of those subsidiaries amounted to NT\$940,278 thousand and NT\$389,953 thousand, and the total liabilities were NT\$141,883 thousand and NT\$159,570 thousand as of September 30, 2018 and 2017, respectively. The total comprehensive income amounted to NT\$(4,250) thousand and NT\$13,080 thousand for the three months ended September 30, 2018 and 2017, respectively; and NT\$(557) thousand and NT\$13,394 thousand for the nine months ended September 30, 2018 and 2017, respectively.

- (4) Except for the following accounting policies, the consolidated financial statements for the nine months ended September 30, 2018 and 2017 adopt the same accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2017. Please refer to the consolidated financial statements for the year ended December 31, 2017 for a summary of other significant accounting policies.

A. Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recognized by each entity of the Group at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the closing rates of that date; non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is measured; and non-monetary items measured at historical cost that are denominated in foreign currencies are retranslated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement or translation of monetary items are recognized in profit or loss in the period in which they arise, except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 "Financial Instruments" (prior to January 1, 2018: IAS 39) are accounted for based on the accounting policies for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss upon disposal of the net investment.



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When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

B. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities within the scope of IFRS 9 “Financial Instruments” (prior to January 1, 2018: IAS 39) are recognized initially at fair value plus or minus, in the case of financial assets and financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities.

(a) Recognition and measurement of financial assets

The accounting treatment starting from January 1, 2018 is as follows:

The Group accounts for regular way purchase or sales of financial assets on the trade date basis.

The Group classifies financial assets as subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss on the basis of the following two conditions:

- i. the business model for managing the financial assets, and
- ii. the contractual cash flow characteristics of the financial assets

Financial assets measured at amortized cost

A financial asset satisfying both of the conditions below is measured at amortized cost and presented as notes receivables, accounts receivables, financial assets measured at amortized cost and other receivables on the balance sheet:

- i. the business model for managing the financial assets: the financial asset is held to collect its contractual cash flows, and
- ii. the contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

Such financial assets (excluding ones involved in a hedging relationship) are subsequently measured at amortized cost {the amount initially recognized less principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount (calculated using the effective interest method), and adjusted for loss allowance}. A gain or loss is recognized in profit or loss when the financial asset is derecognized, going through the amortization process or recognizing the impairment gains or losses.

Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the follow situations is recognized in profit or loss:

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- i. For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
- ii. For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

Financial assets at fair value through other comprehensive income

A financial asset satisfying both of the conditions below is measured at fair value through other comprehensive income and presented as financial assets at fair value through other comprehensive income on the balance sheet:

- i. the business model for managing the financial assets: the financial asset is held to collect its contractual cash flows and for sale, and
- ii. the contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

Recognition of gain or loss on such a financial asset is described below:

- i. Prior to its derecognition or reclassification, the gain or loss on a financial asset at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses, which are recognized in profit or loss.
- ii. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- iii. Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the follow situations is recognized in profit or loss:
  - (i) For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
  - (ii) For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

In addition, for an equity instrument within the scope of IFRS 9 that is not held for trading and the contingent consideration recognized by an acquirer in a business combination under IFRS 3 does not apply, the Group makes an (irrevocable) election at initial recognition to present its subsequent changes in the fair value in other comprehensive income. Amounts presented in other comprehensive income cannot be subsequently transferred to profit or loss (upon disposal of such equity instrument, its cumulative amount in other equity is transferred directly to retained earnings) and shall be recognized as a financial asset measured at fair value through other comprehensive income on the balance sheet. Dividends from the investment

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are recognized in profit or loss unless they clearly represent the recovery of a part of the investment cost.

Financial assets at fair value through profit or loss

Except for financial assets that are measured at amortized cost or at fair value through other comprehensive income due to the satisfaction of certain conditions, all other financial assets are measured at fair value through profit or loss and presented as financial assets at fair value through profit or loss on the balance sheet.

Those financial assets are measured at fair value and the gains or losses resulting from their remeasurement are recognized in profit or loss, which include dividends or interests received on such financial assets.

(b) Impairment of financial assets

The accounting treatment from January 1, 2018 is as follows:

The Group recognizes and measures the loss allowance for debt instrument investments at fair value through other comprehensive income and financial assets measured at amortized cost at an amount equal to expected credit losses. The loss allowance on debt instrument investments at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount of the investments.

The Group measures expected credit loss in a way that reflects:

- i. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- ii. the time value of money; and
- iii. reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available (without undue cost or effort at the balance sheet date)

The loss allowance is measured as follows:

- i. at an amount equal to 12-month expected credit losses: including financial assets whose credit risk has not increased significantly since initial recognition or ones that are determined to have low credit risk at the balance sheet date. In addition, financial assets whose loss allowance is measured at an amount equal to lifetime expected credit losses in the previous reporting period, but the condition of a significant increase in credit risk since initial recognition is no longer met at the current balance sheet date shall also be included.
- ii. at an amount equal to lifetime expected credit losses: including financial assets whose credit risk has increased significantly since initial recognition or purchased or originated credit-impaired financial assets.
- iii. for accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default at the reporting date and initial recognition. Please refer to Note 12 for further details on credit risk.

C. Revenue recognition

The accounting treatment from January 1, 2018 is as follows:

The Group's revenue from contracts with customers mostly involves the sale of goods. The accounting treatment is detailed as follows:

The Group manufactures and sells goods. Revenues are recognized when goods have been delivered to the customers and customers have obtained control (i.e. the customers have the ability to direct the use of goods and obtain substantially all of the remaining benefits from the goods). The main products of the Group are flexible copper-clad laminate, cover layer and PV module backsheet. Revenues are recognized based on the prices stated on the contracts.

The credit terms of accounts receivable are set at 60 to 150 days. Accounts receivables are recognized when the control over goods is transferred and the Group has an unconditional right to collect the considerations. Those accounts receivables usually have a short collection period and do not have a significant financing component.

As for contracts where a part of the considerations is collected upon signing the contracts, the Group assumes the obligations to transfer the goods subsequently. Thus, they are recognized as contract liabilities. As it usually takes less than one year for the said contract liabilities to be reclassified to revenue, no significant financing component has arisen.

5. Significant Accounting Judgments, Estimates and Assumptions

Except for the following descriptions, the same significant accounting judgments, estimates, and assumptions have been followed in the consolidated financial statements for the nine months ended September 30, 2018 and 2017 as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2017. For a summary of significant accounting judgments, estimates, and assumptions, please refer to the consolidated financial statements for the year ended December 31, 2017.

Receivables – impairment loss estimate

From January 1, 2018

The Group estimates the impairment loss of receivables by measuring the lifetime expected credit losses. Credit loss is calculated as the present value of the difference between contractual cash flows that are due to the Group under contracts (carrying amount) and cash flows the Group expects to receive (assessing the forward-looking information). For short-term receivables, as the discount effect is not significant, credit loss is measured using the undiscounted difference. Less-than-expected future cash flows could result in significant impairment charges. Please refer to Note 6(21) for details.

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6. Details of Significant Accounts

(1) Cash and cash equivalents

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand	\$ 705	\$ 652	\$ 782
Bank deposits	1,541,561	1,933,624	2,141,624
Total	<u>\$ 1,542,266</u>	<u>\$ 1,934,276</u>	<u>\$ 2,142,406</u>

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

	September 30, 2018	December 31, 2017 (Note)	September 30, 2017 (Note)
Mandatorily at fair value through profit or loss:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 17,429		
- Foreign exchange swap contracts	63		
- Cross-currency swap contracts	5,750		
Stocks	17,365		
Total	<u>\$ 40,607</u>		

	September 30, 2018 (Note)	December 31, 2017	September 30, 2017
Held for trading:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts		\$ 214	\$ 5,068
- Cross-currency swap contracts		572	2,237
Non-derivative financial assets - Stocks		16,677	15,812
Total		<u>\$ 17,463</u>	<u>\$ 23,117</u>

Note: The Group adopted IFRS 9 on January 1, 2018 and chose not to restate the comparative periods in accordance with the transitional provisions of IFRS 9.

The Group's financial assets at fair value through profit or loss were not pledged.

(3) Notes receivable, net

	September 30, 2018	December 31, 2017	September 30, 2017
Notes receivable, net	<u>\$ 1,238,334</u>	<u>\$ 2,027,778</u>	<u>\$ 2,002,896</u>

The Group's notes receivables were not pledged.

The Group adopted IFRS 9 on January 1, 2018 for impairment assessment. Please refer to Note 6(21) for details on loss allowance and Note 12 for information concerning credit risk.

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(4) Accounts receivable, net

	September 30, 2018	December 31, 2017	September 30, 2017
Accounts receivable	\$ 4,101,262	\$ 2,965,128	\$ 3,215,127
Less: loss allowance	(161,189)	(216,495)	(204,286)
Net	<u>\$ 3,940,073</u>	<u>\$ 2,748,633</u>	<u>\$ 3,010,841</u>

- A. The credit terms of accounts receivable are generally set at 60 to 150 days end of month. The Group adopted IFRS 9 on January 1, 2018 for impairment assessment. Please refer to Note 6(21) for loss allowance for the nine months ended September 30, 2018. Prior to January 1, 2018, IAS 39 was adopted for impairment assessment. The movements in the allowance for impairment of accounts receivable for the nine months ended September 30, 2017 were as follows (please refer to Note 12 for credit risk disclosure):

	September 30, 2017
Beginning balance	\$ 211,697
Reversal for the period	(7,847)
Effect of exchange rate changes	436
Ending balance	<u>\$ 204,286</u>

- B. Ageing analysis of net accounts receivable:

	December 31, 2017	September 30, 2017
Neither past due nor impaired	\$ 2,053,205	\$ 2,256,547
Past due but not impaired		
≤ 120 days	462,019	713,841
121 to 180 days	201,612	40,453
≥ 181 days	31,797	-
Total	<u>\$ 2,748,633</u>	<u>\$ 3,010,841</u>

- C. The Group entered into agreements of factoring without recourse with banks. The banks would engage in factoring with respect to accounts receivable selected. The information of factoring transactions was as follows:

September 30, 2018			
Amount of accounts receivable	Amount of factoring	Condition	Unreceived amount (Recorded as other receivables)
-	-	Without recourse	-
December 31, 2017			
Amount of accounts receivable	Amount of factoring	Condition	Unreceived amount (Recorded as other receivables)
US\$38,680 thousand	US\$38,680 thousand	Without recourse	-

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September 30, 2017			
Amount of accounts receivable	Amount of factoring	Condition	Unreceived amount (Recorded as other receivables)
US\$37,059 thousand	US\$37,059 thousand	Without recourse	-

D. The Group's accounts receivables were not pledged.

(5) Inventories, net

	September 30, 2018	December 31, 2017	September 30, 2017
Raw materials	\$ 716,251	\$ 585,584	\$ 460,000
Inventories in transit	68,827	171,759	182,671
Supplies	10,031	4,966	7,598
Work in process	93,114	52,701	114,442
Finished goods	598,127	619,307	490,110
Merchandise	343,282	191,969	250,086
Total	\$ 1,829,632	\$ 1,626,286	\$ 1,504,907

Expenses or income recognized were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Cost of inventories sold	\$ 2,201,691	\$ 2,584,037	\$ 5,666,954	\$ 6,738,236
Write-down of inventory (gain on recovery)	22,403	(6,931)	(1,168)	(6,936)
Loss on inventory write-off	2,595	1,075	32,998	3,181
Revenue from sale of scraps	(8,424)	(6,678)	(19,639)	(16,987)
Gains on physical inventory	-	(58)	-	(58)
Cost of revenue	\$ 2,218,265	\$ 2,571,445	\$ 5,679,145	\$ 6,717,436

The aforementioned inventories were not pledged.

Gain on inventory value recovery due to a decrease in allowance for inventory valuation losses from price recovery of inventories with allowance for inventory valuation losses at beginning of period, inventories sold or inventories used amounted to NT\$6,931 thousand for the three months ended September 30, 2017; and NT\$1,168 thousand and NT\$6,936 thousand for the nine months ended September 30, 2018 and 2017, respectively.

(6) Financial assets at fair value through other comprehensive income, non-current

	September 30, 2018	December 31, 2017 (Note)	September 30, 2017 (Note)
Equity instrument investments at fair value through other comprehensive income – non-current:			
Non-listed (OTC) stocks	\$ —		

Note: The Group adopted IFRS 9 on January 1, 2018 and chose not to restate the comparative periods in accordance with the transitional provisions of IFRS 9.

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The Group's financial assets at fair value through other comprehensive income were not pledged.

(7) Financial assets measured at cost, non-current

	December 31, 2017	September 30, 2017
Stocks	\$ 6,600	\$ 6,600
Less: accumulated impairment	(6,600)	(6,600)
Net	<u>\$ —</u>	<u>\$ —</u>

Note: The Group adopted IFRS 9 on January 1, 2018 and chose not to restate the comparative periods in accordance with the transitional provisions of IFRS 9.

The aforementioned non-listed (OTC) stocks held by the Group were recognized in accordance with IAS 39 prior to January 1, 2018. Since the range of reasonable fair value estimates was significant and the probabilities of various estimates could not be reasonably assessed, those stocks could not be measured at fair value. Thus, they were measured at cost.

The Group's financial assets measured at cost were not pledged.

(8) Investments accounted for under the equity method

Investees	September 30, 2018		December 31, 2017		September 30, 2017	
	Amount	Percentage of ownership	Amount	Percentage of ownership	Amount	Percentage of ownership
Investments in associates:						
Innovision FlexTech Corp.	\$ 52,410	15.07%	\$ 31,518	15.67%	\$ 31,518	16.72%
Less: accumulated impairment						
- Innovision FlexTech Corp.	—		(31,518)		(31,518)	
Net	<u>\$ 52,410</u>		<u>\$ —</u>		<u>\$ —</u>	

The aforementioned investments accounted for under the equity method were not pledged.

- A. The shares of profit or loss of the associate accounted for under the equity method based on the unaudited financial statements of the investee were NT\$3,244 thousand and NT\$0 thousand for the three months ended September 30, 2018 and 2017, respectively; and NT\$20,622 thousand and NT\$0 thousand for the nine months ended September 30, 2018 and 2017, respectively.
- B. In December 2017, the Group participated in the capital increase of Innovision FlexTech Corp. (Innovision) and subscribed at a percentage different from its existing ownership percentage. Thus, the shareholding percentage reduced from 16.72% to 15.67%. In February 2018, the Group subscribed in the capital increase of Innovision at a percentage different from its existing ownership percentage. The shareholding percentage dropped from 15.67% to 15.07%. The Group evaluated and concluded that it still had significant influence over Innovision; thus, this investment was accounted for using the equity method.



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- C. The summarized financial information of the Group's investments in associates was as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Total assets	\$ 429,335	\$ 331,496	\$ 318,679
Total liabilities	\$ 81,557	\$ 73,767	\$ 106,047

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Revenue	\$ 107,621	\$ 42,689	\$ 275,316	\$ 119,128
Net income	\$ 21,520	\$ 2,568	\$ 78,437	\$ 2,779

- D. For investments accounted for under the equity method, the Group recognized a gain on reversal of impairment of NT\$31,518 thousand for the nine months ended September 30, 2018 based on the assessment of future recoverable amount.

- E. The aforementioned recoverable amount was measured at fair value less costs of disposal and the fair value was determined using the market approach. The recent financing activities of the investees, the technology development status, companies with similar attributes, market conditions and other economic indicators shall all be considered. This was a level 3 fair value measurement.

(9) Property, plant and equipment

	September 30, 2018	December 31, 2017	September 30, 2017
Land	\$ 100,843	\$ 100,843	\$ 100,843
Buildings	1,113,161	966,217	980,968
Machinery and equipment	871,654	896,022	899,936
Hydropower equipment	165,054	118,143	122,488
Testing equipment	144,090	128,173	124,672
Miscellaneous equipment	89,784	82,032	85,289
Construction in progress and equipment awaiting inspection	316,955	585,028	506,277
Net	<u>\$ 2,801,541</u>	<u>\$ 2,876,458</u>	<u>\$ 2,820,473</u>

<u>Cost</u>	As of January 1, 2018	Additions	Disposals	Reclassification	Impairment loss	Effect of exchange rate changes	As of September 30, 2018
Land	\$ 100,843	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100,843
Buildings	1,438,659	2,814	(213)	241,394	—	(13,716)	1,668,938
Machinery and equipment	2,552,155	46,220	(14,728)	89,956	—	(11,453)	2,662,150

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	As of January 1, 2018	Additions	Disposals	Reclassification	Impairment loss	Effect of exchange rate changes	As of September 30, 2018
Hydropower equipment	\$ 398,778	\$ 4,626	\$ —	\$ 58,959	\$ —	\$ (3,893)	\$ 458,470
Testing equipment	251,175	6,675	(1,238)	27,874	—	(626)	283,860
Miscellaneous equipment	363,839	7,686	(5,550)	16,053	—	(2,245)	379,783
<b>Total</b>	<b>\$ 5,105,449</b>	<b>\$ 68,021</b>	<b>\$ (21,729)</b>	<b>\$ 434,236</b>	<b>\$ —</b>	<b>\$ (31,933)</b>	<b>\$ 5,554,044</b>

Accumulated depreciation and impairment

Buildings	\$ 472,442	\$ 52,528	\$ (213)	\$ —	\$ 37,002	\$ (5,982)	\$ 555,777
Machinery and equipment	1,656,133	113,874	(14,727)	—	45,039	(9,823)	1,790,496
Hydropower equipment	280,635	15,312	—	—	—	(2,531)	293,416
Testing equipment	123,002	18,485	(1,237)	—	—	(480)	139,770
Miscellaneous equipment	281,807	15,203	(4,367)	—	(814)	(1,830)	289,999
<b>Total</b>	<b>\$2,814,019</b>	<b>\$ 215,402</b>	<b>\$ (20,544)</b>	<b>\$ —</b>	<b>\$ 81,227</b>	<b>\$(20,646)</b>	<b>\$3,069,458</b>

Construction in progress and equipment awaiting inspection	585,028	167,399	—	(434,236)	—	(1,236)	316,955
<b>Net</b>	<b>\$2,876,458</b>	<b>\$ 215,402</b>	<b>\$ (20,544)</b>	<b>\$ —</b>	<b>\$ 81,227</b>	<b>\$(20,646)</b>	<b>\$3,069,458</b>

(Concluded)

	As of January 1, 2017	Additions	Disposals	Reclassification	Impairment loss	Effect of exchange rate changes	As of September 30, 2017
<u>Cost</u>							
Land	\$ 100,843	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100,843
Buildings	1,415,480	4,270	—	23,503	—	(6,441)	1,436,812
Machinery and equipment	2,488,501	18,556	(13,600)	31,511	—	(5,328)	2,519,640
Hydropower equipment	370,939	7,926	—	21,071	—	(1,726)	398,210
Testing equipment	223,526	10,702	(2,986)	12,067	—	(307)	243,002
Miscellaneous equipment	334,840	9,234	(5,334)	24,615	—	(978)	362,377
<b>Total</b>	<b>\$ 4,934,129</b>	<b>\$ 50,688</b>	<b>\$ (21,920)</b>	<b>\$ 112,767</b>	<b>\$ —</b>	<b>\$ (14,780)</b>	<b>\$5,060,884</b>

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	As of January 1, 2017	Additions	Disposals	Reclassification	Impairment loss	Effect of exchange rate changes	As of September 30, 2017
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 410,029	\$ 47,212	\$ —	\$ —	\$ —	\$ (1,397)	\$ 455,844
Machinery and equipment	1,519,451	116,741	(13,600)	—	—	(2,888)	1,619,704
Hydropower equipment	262,438	14,111	—	—	—	(827)	275,722
Testing equipment	108,104	12,845	(2,440)	—	—	(179)	118,330
Miscellaneous equipment	267,413	15,283	(5,017)	—	—	(591)	277,088
Total	<u>\$ 2,567,435</u>	<u>\$ 206,192</u>	<u>\$(21,057)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (5,882)</u>	<u>\$2,746,688</u>
Construction in progress and equipment awaiting inspection	422,826	196,309	—	(112,811)	—	(47)	506,277
Net	<u>\$ 2,789,520</u>						<u>\$ 2,820,473</u>

(Concluded)

Please refer to Note (8) for property, plant and equipment pledged.

(10) Intangible assets

	September 30, 2018	December 31, 2017	September 30, 2017
Trademarks	\$ 355	\$ 414	\$ 414
Patents	6,848	7,780	7,179
Software cost	36,980	43,403	40,903
Goodwill	69,781	69,781	69,781
Total	<u>\$ 113,964</u>	<u>\$ 121,378</u>	<u>\$ 118,277</u>

	As of January 1, 2018	Additions	Reclassification	Effect of exchange rate changes	As of September 30, 2018
<u>Cost</u>					
Trademarks	\$ 672	\$ —	\$ —	\$ —	\$ 672
Patents	44,247	776	—	—	45,023
Software cost	128,557	5,643	(43)	(383)	133,774
Goodwill	69,781	—	—	—	69,781
Total	<u>\$ 243,257</u>	<u>\$ 6,419</u>	<u>\$ (43)</u>	<u>\$ (383)</u>	<u>\$ 249,250</u>

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	As of January 1, 2018	Additions	Reclassification	Effect of exchange rate changes	As of September 30, 2018
<u>Accumulated amortization and impairment</u>					
Trademarks	\$ 258	\$ 59	\$ —	\$ —	\$ 317
Patents	36,467	1,708	—	—	38,175
Software cost	85,154	11,873	—	(233)	96,794
Total	<u>121,879</u>	<u>\$ 13,640</u>	<u>\$ —</u>	<u>\$ (233)</u>	<u>135,286</u>
Net					<u>\$ 113,964</u>

(Concluded)

	As of January 1, 2017	Additions	Reclassification	Effect of exchange rate changes	As of September 30, 2017
<u>Cost</u>					
Trademarks	\$ 583	\$ 89	\$ —	\$ —	\$ 672
Patents	42,202	1,437	—	—	43,639
Software cost	108,294	14,180	—	(187)	122,287
Goodwill	69,781	—	—	—	69,781
Total	<u>\$ 220,860</u>	<u>\$ 15,706</u>	<u>\$ —</u>	<u>\$ (187)</u>	<u>\$ 236,379</u>

Accumulated amortization and impairment

Trademarks	\$ 198	\$ 60	\$ —	\$ —	\$ 258
Patents	34,855	1,605	—	—	36,460
Software cost	72,209	9,270	—	(95)	81,384
Total	<u>107,262</u>	<u>\$ 10,935</u>	<u>\$ —</u>	<u>\$ (95)</u>	<u>118,102</u>
Net					<u>\$ 118,277</u>

(11) Other non-current assets

	September 30, 2018	December 31, 2017	September 30, 2017
Long-term prepaid rent (Land use rights)	\$ 107,151	\$ 20,218	\$ 20,305
Refundable deposits	16,186	24,100	24,379
Other non-current assets - other	19,728	27,708	26,453
Total	<u>\$ 143,065</u>	<u>\$ 72,026</u>	<u>\$ 71,137</u>

(12) Impairment testing of goodwill

The Company did not have intangible assets with indefinite useful lives. Goodwill acquired through business combinations was allocated to each of the cash generating unit (CGU), which were expected to benefit from synergies. Impairment evaluation of recoverable amount of goodwill was conducted at each year end. The recoverable amount of the CGU was determined based on value-in-use which was calculated using cash flow projections from financial budgets approved by management covering a five-year period discounted at a pre-tax rate. The projected cash flows had been updated to reflect the change in demand of relevant

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products. As a result of the analysis conducted on December 31, 2017, the Company did not identify any impairment for goodwill.

(13) Short-term loans

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured bank loans	\$ 1,498,057	\$ 656,596	\$ 1,296,087

The interest rates of loans were 0.74% to 3.15%, 1.69% to 4.57% and 1.59% to 4.57% as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively.

(14) Financial liabilities at fair value through profit or loss, current

	September 30, 2018	December 31, 2017	September 30, 2017
Held for trading:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ -	\$ 13,058	\$ 12,659
- Foreign exchange swap contracts	-	224	161
- Cross-currency swap contracts	-	69	-
Total	\$ -	\$ 13,351	\$ 12,820

(15) Lease payable

Some equipment of the Group was held under finance lease where the lessee had the option to purchase the equipment. The reconciliation of total future minimum lease payments and their present value was as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Total minimum lease payments</u>			
Less than 1 year	\$ 953	\$ 981	\$ -
1 to 5 years (excluding)	1,720	2,750	-
	2,673	3,731	-
Less: Future finance expense	(315)	(593)	-
Present value of minimum lease payments	\$ 2,358	\$ 3,138	\$ -
 <u>Present value of minimum lease payments</u>			
Less than 1 year	\$ 718	\$ 639	\$ -
1 to 5 years (excluding)	1,640	2,499	-
Total	\$ 2,358	\$ 3,138	\$ -

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(16) Long-term loans

	September 30, 2018	December 31, 2017	September 30, 2017
Secured loans	\$ 50,718	\$ 62,011	\$ 65,751
Revolving loans	568,883	193,685	198,186
Syndicated loans	-	-	-
Total	<u>619,601</u>	<u>255,696</u>	<u>263,937</u>
Less: current portion	(114,384)	(44,825)	(27,673)
Less: unamortized syndicated loan fee	-	-	-
Net	<u>\$ 505,217</u>	<u>\$ 210,871</u>	<u>\$ 236,264</u>
	2018.1.1~ 2018.9.30	2017.1.1~ 2017.12.31	2017.1.1~ 2017.9.30
Interest rate range	0.78%~1.97%	0.85%~2.47%	0.99%~2.28%

A. Please refer to Note 8 for collateral of the long-term loans.

B. In January 2016, the Group entered into a syndicated loan agreement with ten financial institutions, including the Bank of Taiwan (bookrunner), for a loan facility of NT\$2.5 billion or the equivalent in U.S. dollars. (The Group applied to lower the credit to NT\$1.5 billion or the equivalent in U.S. dollars in July 2017.) The contract term is five years from the initial draw-down date, i.e. June 2016 to June 2021. The credit term of the agreement was mid-term loans - current. During the loan term, the Group is required to calculate and maintain the following financial ratios at an agreed level based on the consolidated financial statements audited by CPAs every six months: current ratio, debt ratio, interest coverage ratio and tangible net value. The Group has abided by those terms.

(17) Post-employment benefits

A. Defined contribution plan

Expenses under the defined contribution plan were NT\$6,671 thousand and NT\$5,902 thousand for the three months ended September 30, 2018 and 2017, respectively; and NT\$19,513 thousand and NT\$17,713 thousand for the nine months ended September 30, 2018 and 2017, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan were NT\$2,493 thousand and NT\$3,829 thousand for the three months ended September 30, 2018 and 2017, respectively; and NT\$10,190 thousand and NT\$11,479 thousand for the nine months ended September 30, 2018 and 2017, respectively.

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(18) Equity

A. Capital

- (a) The Company's authorized capital was NT\$3,000,000 thousand, each at a par value of NT\$10, divided into 300,000 thousand shares (including 15,000 thousand shares reserved for the exercise of employee stock options, preferred stock with warrants and bond with warrants) as of September 30, 2018, December 31, 2017 and September 30, 2017.
- (b) The Company's issued capital was NT\$2,091,197 thousand, NT\$2,087,802 thousand and NT\$2,084,507 thousand, each at a par value of NT\$10, divided into 209,120 thousand shares, 208,780 thousand shares and 208,451 thousand shares as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively.

B. Capital surplus

	September 30, 2018	December 31, 2017	September 30, 2017
Additional paid-in capital	\$ 1,042,894	\$ 1,036,041	\$ 1,034,373
Premium from merger	262,500	262,500	262,500
Donated assets	1,970	1,970	1,970
Treasury stock transactions	27,280	27,280	27,279
Others	111,982	113,548	113,548
Total	\$ 1,446,626	\$ 1,441,339	\$ 1,439,670

According to laws and regulations, capital surplus shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The distribution could be made in the form of cash dividends to its shareholders in proportion to the number of shares being held by each of them.

C. Treasury stocks

As of September 30, 2018, December 31, 2017 and September 30, 2017, the number of treasury stocks held by the Company was 0 thousand shares with the amount of NT\$0 thousand.

The changes of treasury stocks in the nine months ended September 30, 2018 and 2017 were as follows:

Reasons of Repurchase	As of January 1	Increase	Decrease	As of September 30
<u>2018.1.1 – 2018.9.30</u>				
To be transferred to employees	—	—	—	—
	—	—	—	—
<u>2017.1.1 – 2017.9.30</u>				
To be transferred to employees	2,318 thousand shares	—	2,318 thousand shares	—
	2,318 thousand shares	—	2,318 thousand shares	—

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Pursuant to the Securities and Exchange Act, the number of shares repurchased cannot exceed ten percent of the shares outstanding and the repurchase amount shall not exceed the sum of retained earnings, share premium and realized capital surplus. The shares bought back by the Company to be transferred to employees shall be transferred within three years from the buyback date. Shares not transferred within the said time limit shall be deemed as unissued shares and have to be cancelled. Furthermore, treasury stocks shall not be pledged as collateral and they do not have shareholders' rights before being transferred.

D. Appropriation of profits and dividend policies

(a) Appropriation of profits

The Articles of Incorporation state that current year's earnings, if any, shall be distributed in the following order:

- i. Taxes and dues.
- ii. Deficit compensation.
- iii. 10% of net profit as legal capital reserves. However, this shall not apply when the accumulated legal capital reserve has equaled the total capital.
- iv. Special capital reserve appropriated or reversed as stipulated by relevant laws and regulations or the competent securities authorities.
- v. For the remaining profits, if any, the Board of Directors shall draft a proposal for the distribution of bonus to shareholders and submit it to the shareholders' meeting for resolution.

After taking into account the environment and development stage of the Company, the needs of capital in the future, long-term financial planning and shareholders' demand for cash, the Board of Directors shall draw up an earnings distribution proposal based on the distributable earnings and submit it to the shareholders' meeting for approval. At least forty percent of the distributable earnings shall be appropriated as shareholders' dividends. The cash dividend shall not be lower than 10 percent of the total dividends and shall be capped at 100 percent.

Following the adoption of IFRS, the FSC issued Order No. Jin-Guan-Zheng-Fa-1010012865 on April 6, 2012, which sets out the following provisions for compliance: On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special capital reserve. Following a company's adoption of the IFRS for the preparation of its financial reports, when distributing distributable earnings, if the company has already set aside special capital reserve according to the requirements in the preceding point, it shall set aside supplemental special capital reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.



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As of September 30, 2018 and 2017, special capital reserve set aside for the first-time adoption of IFRS amounted to NT\$75,546 thousand and NT\$102,158 thousand, respectively. Furthermore, the Company reversed NT\$26,612 thousand of special capital reserve recognized to undistributed earnings during the nine months ended September 30, 2018 as the consolidated entity disposed of related assets.

Information about the appropriations of 2017 and 2016 earnings approved in the shareholders' meetings on May 29, 2018 and May 26, 2017, respectively, was as follows:

	Appropriation of Earnings		Dividend per Share (NT\$)	
	2017	2016	2017	2016
Legal capital reserve	\$ 73,459	\$ 57,968	-	-
Cash dividends - common shares	522,799	412,254	\$ 2.50	\$ 2.00
Total	<u>\$ 596,258</u>	<u>\$ 470,222</u>		

Please refer to Note 6(23) for information on the accrual basis and the amounts recognized for compensation to employees and remuneration to directors.

E. Non-controlling interests (NCI)

	Nine Months Ended September 30	
	2018	2017
Beginning balance	\$ 112,212	\$ 100,310
Net income attributable to NCI	6,178	6,081
Other comprehensive income attributable to NCI:		
Exchange differences arising on translation of foreign operations	(205)	(77)
Ending balance	<u>\$ 118,185</u>	<u>\$ 106,314</u>

(19) Share-based payment plans

On February 25, 2010, the Company resolved at the Board of Directors' meeting to issue employee stock options with a total number of 2,355 units. Each unit entitles an optionee to subscribe to one thousand shares of the Company's common stock. The chairperson is authorized by the Board to set the actual grant date. If a consensus was not reached regarding all terms and conditions, the grant date would be the date when consensus for all were reached (April 30, 2010). Settlement upon exercise of the options will be made through issuance of new shares by the Company. An optionee may exercise the options in accordance with certain schedules and percentages prescribed by the plan two years from the grant date. Expense of the compensatory employee stock option plan for the nine months ended September 30, 2018 was NT\$ 0 thousand.

There have been no cancellations or modifications to any of the employee stock option plans by September 30, 2018.

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	Nine Months Ended September 30			
	2018		2017	
	Quantity	Weighted average exercise price per share (NT\$)	Quantity	Weighted average exercise price per share (NT\$)
Stock options				
Outstanding at beginning of period	273	\$ 35.10	952	\$ 36.80
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	(273)	35.10	(455)	35.87
Expired	—	—	(157)	—
Outstanding at end of period	—	—	340	35.10
Exercisable at end of period	—	—	340	35.10

Information on the aforementioned employee stock options outstanding as of September 30, 2018 and 2017 was as follows:

Date of Grant	Weighted Average Remaining Contractual Years	
	September 30, 2018	September 30, 2017
April 30, 2010	-	0.58

(20) Revenue

	Three Months Ended September 30		Nine Months Ended September 30	
	2018 (Note)	2017	2018 (Note)	2017
Sale of goods	\$ 2,848,163	\$ 3,224,316	\$ 7,233,316	\$ 8,313,786

Note: The Group adopted IFRS 15 for the recognition of revenue from contracts with customers on January 1, 2018 and chose to recognize the cumulative effect of the first-time adoption on January 1, 2018.

The Group adopted IFRS 15 for the recognition of revenue from contracts with customers on January 1, 2018. Information concerning revenue from contracts with customers for the nine months ended September 30, 2018 was as follows:

Contract liabilities - current

	Beginning Balance	Ending Balance	Difference
Sale of goods	\$ 2,571	\$ 991	\$ (1,580)

During the nine months ended September 30, 2018, the significant decrease in the balance of contract liabilities was mostly due to the satisfaction of performance obligations. The difference of NT\$1,580 thousand was beginning balance recognized as revenue during this period.

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(21) Impairment gains on expected credit loss

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017 (Note)	2018	2017 (Note)
Operating expenses – Impairment gain on expected credit loss				
Accounts receivable	\$ (14,129)		\$ (53,115)	

Note: The Group adopted IFRS 9 on January 1, 2018 and chose not to restate the comparative periods in accordance with the transitional provisions of IFRS 9.

Please refer to Note 12 for information concerning credit risk.

For receivables (including notes and accounts receivables), the Group measured the loss allowance at an amount equal to lifetime expected credit losses. The assessment on the loss allowance as of September 30, 2018 was as follows:

Receivables were grouped by considering the credit ratings of counterparties, geographical regions and industry sectors, and the loss allowance was measured by adopting a provision matrix. Details were as follows:

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 4,860,453	\$ 299,255	\$ 132,724	\$ 47,164	\$ 5,339,596
Loss ratio	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	18,929	48,572	61,773	31,915	161,189
Sub-total	\$ 4,841,524	\$ 250,683	\$ 70,951	\$ 15,249	\$ 5,178,407

Note: None of the Group's notes receivables was overdue.

The movements in the loss allowance for receivables in the nine months ended September 30, 2018 were as follows:

	Receivables
Beginning balance	\$ 216,495
Reversal in the current period	(53,115)
Write off	(726)
Effect of exchange rate changes	(1,465)
Ending balance	\$ 161,189

(22) Operating leases

The Group entered into commercial property leases which were non-cancellable operating lease agreements. The average duration was between one to ten years. Some lease agreements had renewal options.

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Total future minimum lease payments were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Less than 1 year	\$ 21,247	\$ 21,634	\$ 23,896
More than 1 year but less than 5 years	40,615	39,185	42,670
More than 5 years	20,036	13,796	14,885
Total	<u>\$ 81,898</u>	<u>\$ 74,615</u>	<u>\$ 81,451</u>

Expenses recognized under operating leases were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Minimum lease payments	<u>\$ 9,442</u>	<u>\$10,546</u>	<u>\$28,553</u>	<u>\$32,205</u>

(23) Summary statement of employee benefits, depreciation and amortization expenses by function:

Function Nature	Three Months Ended September 30					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	117,981	107,470	225,451	129,073	135,982	265,055
Labor and health insurance	10,751	6,956	17,707	10,449	6,282	16,731
Pension	5,213	3,951	9,164	5,477	4,254	9,731
Other employee benefits expense	14,151	14,513	28,664	13,934	8,861	22,795
Depreciation	69,681	3,256	72,937	63,489	4,072	67,561
Amortization	2,742	4,331	7,073	3,237	2,964	6,201

Function Nature	Nine Months Ended September 30					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	341,576	324,397	665,973	333,656	313,912	647,568
Labor and health insurance	33,858	20,601	54,459	30,646	20,250	50,896
Pension	16,745	12,958	29,703	16,320	12,872	29,192
Other employee benefits expense	37,952	29,616	67,568	37,714	22,050	59,764
Depreciation	204,516	10,886	215,402	193,694	12,498	206,192
Amortization	8,758	13,250	22,008	10,447	10,781	21,228

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According to the Company's Articles of Incorporation, when the Company makes a profit for the year, the compensation to employees shall not be lower than five percent of the balance and the remuneration to directors shall not be higher than four percent of the balance. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be used for compensation to employees and remuneration to directors. The above-mentioned compensation to employees can be made in the form of stock or cash by a resolution adopted by a majority vote at a Board of Directors' meeting attended by two-thirds of the total number of directors. A report of such distribution shall be submitted to the shareholders' meeting. Information on the compensation to employees and remuneration to directors resolved or reported at the meetings of Board of Directors and shareholders is available at the Market Observation Post System website.

Based on profitability, the compensation to employees and remuneration to directors accrued for the nine months ended September 30, 2018 and 2017 were as follows:

	Nine Months Ended September 30	
	2018	2017
Compensation to employees	\$ 51,929	\$ 52,128
Remuneration to directors	13,759	14,723

If the Board of Directors resolved to distribute compensation to employees in the form of stock, the closing price of stocks on the date preceding the resolution shall be the basis in calculating the number of stocks to be distributed. If the amount accrued differed from the amount resolved in the Board of Directors' meeting, the difference would be recognized in the profit or loss of the following year.

Information on 2017 compensation to employees and remuneration to directors reported in the shareholders' meeting on May 29, 2018 and 2016 compensation to employees and remuneration to directors in the form of cash reported in the shareholders' meeting on May 26, 2017 was as follows:

	Years Ended December 31	
	2017	2016
Compensation to employees	\$ 74,579	\$ 53,949
Remuneration to directors	20,393	16,185

The above-mentioned 2017 and 2016 compensation to employees and remuneration to directors reported in the shareholders' meetings were consistent with the amounts resolved in the Board of Directors' meetings held on January 17, 2018 and January 19, 2017, respectively; and the amounts recognized as expenses in the financial statements.

(24) Non-operating income and expenses

A. Other income

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Interest income	\$ 3,965	\$ 3,812	\$ 12,569	\$ 12,952
Other income	4,165	3,627	14,804	8,175
Total	\$ 8,130	\$ 7,439	\$ 27,373	\$ 21,127

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B. Other gains and losses

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Gain (loss) on disposal of property, plant and equipment	\$ 424	\$ (426)	\$ 45	\$ (462)
Gain on liquidation of subsidiaries	35,481	—	35,481	—
Foreign exchange gain (loss), net	(115,009)	59,637	(72,013)	(27,611)
Gain on reversal of impairment loss of non-financial assets	—	—	32,332	—
Gain (loss) of financial assets (liabilities) at fair value through profit or loss, net	26,743	(17,268)	12,339	(23,048)
Disaster loss (Note 10)	(7,304)	—	(128,049)	—
Other losses	(1,429)	(351)	(3,330)	(1,286)
<b>Total</b>	<b>\$ (61,094)</b>	<b>\$ 41,592</b>	<b>\$ (123,195)</b>	<b>\$ 2,815</b>

C. Finance costs

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Interest on borrowings from banks	\$ (11,387)	\$ (16,525)	\$ (41,797)	\$ (50,559)
Interest on finance lease	(80)	—	(269)	—
<b>Total</b>	<b>\$ (11,467)</b>	<b>\$ (16,525)</b>	<b>\$ (42,066)</b>	<b>\$ (50,559)</b>

D. Components of other comprehensive income

For the three months ended September 30, 2018:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	\$ (111,704)	\$ —	\$ (111,704)	\$ 22,341	\$ (89,363)

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For the three months ended September 30, 2017:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	\$ 32,676	\$ —	\$ 32,676	\$ (5,555)	\$ 27,121

For the nine months ended September 30, 2018:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	\$ (100,097)	\$ —	\$ (100,097)	\$ 22,172	\$ (77,925)

For the nine months ended September 30, 2017:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	\$ (23,764)	\$ —	\$ (23,764)	\$ 4,040	\$ (19,724)

(25) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's corporate income tax rate for the year ended December 31, 2018 was adjusted from 17% to 20%. The tax rate applicable to undistributed earnings was reduced from 10% to 5%.

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A. The major components of income tax expense (benefit) were as follows:

Income tax expense (benefit) recognized in profit or loss

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Current income tax expense:				
Current income tax expense	\$ 97,532	\$ 65,225	\$ 208,478	\$ 134,332
Income tax adjustments on prior years	(152)	(2,120)	4,613	19,735
Effect of exchange rate changes	(390)	(637)	(342)	(736)
Deferred income tax expense (benefit):				
Income tax expense (benefit) relating to origination and reversal of temporary differences	(53,053)	17,976	(75,074)	33,616
Deferred income tax relating to changes in tax rates	—	—	14,565	—
<b>Total income tax expense</b>	<b>\$ 43,937</b>	<b>\$ 80,444</b>	<b>\$ 152,240</b>	<b>\$ 186,947</b>

Income tax recognized in other comprehensive income

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Deferred income tax expense (benefit):				
Exchange differences arising on translation of foreign operations	\$ (22,341)	\$ 5,555	\$ (20,032)	\$ (4,040)
Deferred income tax relating to changes in tax rates	—	—	(2,140)	—
<b>Income tax relating to components of other comprehensive income</b>	<b>\$ (22,341)</b>	<b>\$ 5,555</b>	<b>\$ (22,172)</b>	<b>\$ (4,040)</b>

B. The assessment of income tax returns:

As of September 30, 2018, the assessment on the Group's income tax returns in ROC was as follows:

	Assessment on Income Tax Returns
The Company	Assessed and approved up to 2016
Subsidiary – Koatech Technology Corporation	Assessed and approved up to 2016



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(26) Earnings per share

	Three Months Ended September 30, 2018		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic earnings per share</u>			
Net income available to common shareholders of the Company	\$ 237,832	209,120	\$ 1.14
<u>Diluted earnings per share</u>			
Effect of dilutive potential common shares			
Employee compensation – stock	—	757	
Net income available to common shareholders of the Company and effect of potential common shares	\$ 237,832	209,877	\$ 1.13
Three Months Ended September 30, 2017			
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic earnings per share</u>			
Net income available to common shareholders of the Company	\$ 280,431	206,685	\$ 1.36
<u>Diluted earnings per share</u>			
Effect of dilutive potential common shares			
Employee compensation – stock	—	725	
Net income available to common shareholders of the Company and effect of potential common shares	\$ 280,431	207,410	\$ 1.35
Nine Months Ended September 30, 2018			
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic earnings per share</u>			
Net income available to common shareholders of the Company	\$ 492,444	209,072	\$ 2.36
<u>Diluted earnings per share</u>			
Effect of dilutive potential common shares			
Employee compensation – stock	—	1,583	
Net income available to common shareholders of the Company and effect of potential common shares	\$ 492,444	210,655	\$ 2.34

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	Nine Months Ended September 30, 2017		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic earnings per share</u>			
Net income available to common shareholders of the Company	\$ 573,668	206,299	\$ 2.78
<u>Diluted earnings per share</u>			
Effect of dilutive potential common shares			
Employee compensation – stock	-	1,201	
Net income available to common shareholders of the Company and effect of potential common shares	\$ 573,668	207,500	\$ 2.76

7. Related Party Transactions

Compensation to key management of the Group:

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Short-term employee benefits	\$ 26,891	\$ 25,423	\$ 60,264	\$ 59,018
Post-employment benefits	186	193	517	716
Termination benefits	—	—	783	—
Total	\$ 27,077	\$ 25,616	\$ 61,564	\$ 59,734

8. Pledged Assets

The following table listed assets of the Group pledged as collateral:

	Carrying Amount			Purpose of Pledge
	September 30, 2018	December 31, 2017	September 30, 2017	
Time deposits (Note)	\$ 20,373	\$ 20,354	\$ 20,314	Customs guarantee
Land	100,843	100,843	100,843	Collateral for long-term loans
Buildings	101,766	104,185	105,349	Collateral for letter of credit, short-term credit facilities and long-term loans
Machinery and equipment	12,925	14,163	14,575	Collateral for long-term loans
Total	\$ 235,907	\$ 239,545	\$ 241,081	

Note: Those assets were recognized as other current assets – other.

9. Significant Contingencies and Unrecognized Contract Commitments

Details of the Group's unused letters of credit as of September 30, 2018 were as follows:

	L/C Balance	
NTD	NT\$	12,851 thousand
JPY	JPY	264,000 thousand
USD	US\$	6,547 thousand

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10. Significant Disaster Loss

A fire broke out in the Group's subsidiary, Taiflex Scientific (Kunshan) Co., Ltd., on January 25, 2018. Parts of the plants, equipment and inventories were damaged, flooded and suffered from smoke and dust pollution. The repair and cleaning work were still underway. Those assets were covered by fire insurance policies. As of September 30, 2018, the insurance claim was still being processed by the insurance company.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

<u>Financial assets</u>	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets at fair value through profit or loss:			
Held for trading	(Note 1)	\$ 17,463	\$ 23,117
Mandatorily at fair value through profit or loss	\$ 40,607	(Note 1)	(Note 1)
Financial assets at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	1,541,561	(Note 1)	(Note 1)
Receivables	5,249,206	(Note 1)	(Note 1)
Other financial assets - current	20,373	(Note 1)	(Note 1)
Loans and receivables (Note 2)	(Note 1)	6,786,254	7,228,654
<u>Financial liabilities</u>	September 30, 2018	December 31, 2017	September 30, 2017
Financial liabilities at fair value through profit or loss:			
Held for trading	\$ —	\$ 13,351	\$ 12,820
Financial liabilities at amortized cost:			
Short-term loans	1,498,057	656,596	1,296,087
Payables	2,359,002	3,083,571	2,894,116
Long-term loans (including current portion)	619,601	255,696	263,937

Note: 1. The Group adopted IFRS 9 on January 1, 2018 and chose not to restate the comparative periods in accordance with the transitional provisions of IFRS 9.

2. Including cash and cash equivalents, notes and accounts receivables, other receivables and other financial assets – current.

(2) Objectives of financial risk management

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the aforementioned risks based on its policy and risk preferences.

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The Group has established appropriate policies, procedures and internal controls for the aforementioned financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Group shall comply with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises foreign currency risk, interest rate risk and other price risks.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

A. Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to its operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and net investments in foreign operations.

The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as the said nature hedge and forward contracts do not qualify for hedge accounting criteria. Furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the impact of possible changes in foreign exchange rates on the Group's profit and equity is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates of U.S. dollars and Chinese Yuan.

B. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to its variable interest rates for loans.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans.

C. Equity price risk

Equity securities of listed domestic companies held by the Group are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on equity portfolio are

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submitted to the Group's senior management on a regular basis. The Board of Directors shall review all equity investment decisions and approve where appropriate.

A 5% increase/decrease in the prices of listed companies' stocks classified as mandatorily at fair value through profit or loss (held for trading in 2017) could cause the profit or loss for the nine months ended September 30, 2018 and 2017 to increase/decrease by NT\$868 thousand and NT\$791 thousand, respectively.

D. Information on the pre-tax sensitivity analysis was as follows:

For the nine months ended September 30, 2018

Key risk	Variation	Sensitivity of profit or loss
Foreign currency risk	NTD/USD Foreign exchange +/- 1%	-/+ 20,191 thousand
	NTD/CNY Foreign exchange +/- 1%	-/+ 543 thousand
Interest rate risk	Market rate +/- 10 basis points	-/+ 575 thousand

For the nine months ended September 30, 2017

Key risk	Variation	Sensitivity of profit or loss
Foreign currency risk	NTD/USD Foreign exchange +/- 1%	-/+ NT\$ 2,820 thousand
	NTD/CNY Foreign exchange +/- 1%	-/+ NT\$ 623 thousand
Interest rate risk	Market rate +/- 10 basis points	+/- NT\$ 582 thousand

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and financing activities (primarily for bank deposits and various financial instruments).

Credit risk is managed by each business unit subject to the Group's credit risk policies, procedures and controls. Credit risk of all counterparties is assessed by considering their financial position, rating from credit rating agencies, past experience, current economic environment and the Group's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancement procedures, such as requesting for prepayment or insurance, to reduce their credit risk.

Credit risk from balances with banks and other financial instruments is managed by the Group's finance division in accordance with the Group's policies. The counterparties that the Group transacts with are reputable financial institutions both at home and abroad, thus, no significant credit risk is expected.

(5) Liquidity risk management

The Group maintains its financial flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarized the maturity profile of the Group's financial liability contracts based on the earliest repayment dates and contractual undiscounted cash flows. The amount included the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates was extrapolated based on the yield curve as of the end of the reporting period.

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Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<u>September 30, 2018</u>					
Borrowings	\$ 1,614,626	\$ 467,798	\$ 37,419	\$ —	\$ 2,119,843
Payables	2,359,002	—	—	—	2,359,002
<u>December 31, 2017</u>					
Borrowings	\$ 703,908	\$ 165,291	\$ 45,580	\$ —	\$ 914,779
Payables	3,083,571	—	—	—	3,083,571
<u>September 30, 2017</u>					
Borrowings	\$ 1,326,456	\$ 187,994	\$ 48,270	\$ —	\$ 1,562,720
Payables	2,894,116	—	—	—	2,894,116

Derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<u>September 30, 2018</u>					
Inflows	\$ 418,388	\$ —	\$ —	\$ —	\$ 418,388
Outflows	418,907	—	—	—	418,907
Net	<u>\$ (519)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (519)</u>
<u>December 31, 2017</u>					
Inflows	\$ 1,058,336	\$ —	\$ —	\$ —	\$1,058,336
Outflows	1,079,765	—	—	—	1,079,765
Net	<u>\$ (21,429)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (21,429)</u>
<u>September 30, 2017</u>					
Inflows	\$ 1,033,073	\$ —	\$ —	\$ —	\$1,033,073
Outflows	1,050,660	—	—	—	1,050,660
Net	<u>\$ (17,587)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (17,587)</u>

The derivative financial liabilities in the table above were expressed using undiscounted net cash flows.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the nine months ended September 30, 2018:

	<u>Short-term Loan</u>	<u>Long-term Loan</u>	<u>Lease Liability</u>	<u>Total Liabilities from Financing Activities</u>
As of January 1, 2018	\$ 656,596	\$ 255,696	\$ 3,138	\$ 915,430
Cash flows	841,461	363,905	(1,049)	1,204,317
Non-cash movement	—	—	269	269
As of September 30, 2018	<u>\$1,498,057</u>	<u>\$ 619,601</u>	<u>\$ 2,358</u>	<u>\$2,120,016</u>

Reconciliation of liabilities for the nine months ended September 30, 2017: Not applicable.

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(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used by the Group in measuring or disclosing the fair values of financial assets and liabilities:

- (a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to short maturity terms.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed equity securities, beneficiary certificates, bonds and futures).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Information on the fair value hierarchy of financial instruments

Please refer to Note 12(9) for details.

(8) Derivative instruments

As of September 30, 2018, December 31, 2017 and September 30, 2017, the Group's derivative instruments that were not eligible for hedge accounting and were outstanding were listed as follows:

A. Forward foreign exchange contracts that were not eligible for hedge accounting and were outstanding as of the balance sheet date were listed as follows:

Currency	Contract Period	Contract Amount (in thousands)
<u>September 30, 2018</u>		
Sell CNY/Buy USD	2018.03~2019.07	CNY 63,011/US\$ 9,600
Sell CNY/Buy NTD	2018.07~2019.01	CNY 90,000/NT\$ 399,881
<u>December 31, 2017</u>		
Sell CNY/Buy USD	2017.05~2018.04	CNY 82,813/US\$ 12,342
Sell CNY/Buy NTD	2017.09~2018.04	CNY 126,000/NT\$ 566,937
<u>September 30, 2017</u>		
Sell CNY/Buy USD	2017.02~2018.08	CNY 99,000/US\$ 14,622
Sell CNY/Buy NTD	2017.07~2018.01	CNY 114,000/NT\$ 510,629

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- B. Foreign exchange swap contracts that were not eligible for hedge accounting and were outstanding as of the balance sheet date were listed as follows:

Currency	Contract Period	Contract Amount (in thousands)	
<u>September 30, 2018</u>			
Sell CNY/Buy NTD	2018.08~2019.01	CNY	4,200/NT\$ 18,507
<u>December 31, 2017</u>			
Sell CNY/Buy NTD	2017.09~2018.04	CNY	4,200/NT\$ 18,822
<u>September 30, 2017</u>			
Sell CNY/Buy NTD	2017.08~2018.01	CNY	4,200/NT\$ 18,807

- C. Cross-currency swap contracts that were not eligible for hedge accounting and were outstanding as of the balance sheet date were listed as follows:

Currency	Contract Period	Contract Amount (in thousands)	Range of Interest Rate Paid	Range of Interest Rate Received
<u>September 30, 2018</u>				
Sell CNY/Buy USD	2017.11~2019.01	CNY 35,819/ US\$ 5,500	2.82%~4.10%	1.70%~2.81%
<u>December 31, 2017</u>				
Sell CNY/Buy USD	2017.09~2018.11	CNY 23,027/ US\$ 3,500	2.82%~3.65%	1.70%~1.80%
<u>September 30, 2017</u>				
Sell CNY/Buy USD	2017.09~2018.08	CNY 13,082/ US\$ 2,000	3.65%	1.80%

For forward foreign exchange, foreign exchange swap and cross-currency swap contracts, the main purpose is to hedge the foreign currency risk of net assets or liabilities denominated in foreign currencies. As there will be corresponding cash inflows or outflows upon expiration and the Company has sufficient operation funds, no significant cash flow risk is expected.

(9) Fair value hierarchy

A. Definition of fair value hierarchy

For assets and liabilities measured or disclosed in fair values, they are categorized in the level of the lowest level input that is significant to the entire measurement. Inputs of each level are as follows:

Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities at the measurement date

Level 2 inputs are inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 inputs are unobservable inputs for the asset or liability



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For assets and liabilities measured at a recurring basis, their categories shall be re-evaluated at the end of each reporting period to determine if there is any transfer between different levels of fair value hierarchy.

B. Hierarchy of fair value measurement

The Group does not have assets that are measured at fair value on a non-recurring basis. The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis was disclosed as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>September 30, 2018</u>				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ 17,429	\$ —	\$ 17,429
Foreign exchange swap contracts	—	63	—	63
Cross-currency swap contracts	—	5,750	—	5,750
Stocks	17,365	—	—	17,365
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	—	—	—	—
<u>December 31, 2017</u>				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ 214	\$ —	\$ 214
Cross-currency swap contracts	—	572	—	572
Stocks	16,677	—	—	16,677
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	—	13,058	—	13,058
Foreign exchange swap contracts	—	224	—	224
Cross-currency swap contracts	—	69	—	69
<u>September 30, 2017</u>				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ 5,068	\$ —	\$ 5,068
Cross-currency swap contracts	—	2,237	—	2,237
Stocks	15,812	—	—	15,812

(Continued)



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As entities within the Group transact in various currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. The Group's foreign exchange gain (loss) amounted to NT\$(115,009) thousand and NT\$59,637 thousand for the three months ended September 30, 2018 and 2017, respectively; and NT\$(72,013) thousand and NT\$27,611 thousand for the nine months ended September 30, 2018 and 2017, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) Information on significant transactions and investees

- A. Financing provided to others: Please refer to Table 1.
- B. Endorsement/Guarantee provided to others: Please refer to Table 2.
- C. Marketable securities held as of September 30, 2018 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.
- D. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the nine months ended September 30, 2018: None.
- E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the nine months ended September 30, 2018: None.
- F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the nine months ended September 30, 2018: None.
- G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the nine months ended September 30, 2018: Please refer to Table 4.
- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of September 30, 2018: Please refer to Table 5.
- I. Direct or indirect significant influence or control over the investees for the nine months ended September 30, 2018 (excluding investments in China): Please refer to Table 6.
- J. Derivative financial instruments transactions: Please refer to Note 12.
- K. Others: intercompany relationships and significant intercompany transactions for the nine months ended September 30, 2018: Please refer to Table 8.

(2) Information on investments in Mainland China: Please refer to Table 7.

14. Operating Segment Information

For management purposes, the Group is organized into operating segments based on each independent utility. The two reportable operating segments are as follows:

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The general management segment is responsible for the Group's operation planning and owns manufacturing, R&D and sales functions.

The overseas segment owns manufacturing and sales functions.

Operating segments have not been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of decision-making on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and measured consistently with methods applied to operating profit or loss in the consolidated financial statements. However, finance costs, financial benefits and income taxes are managed on the Group basis and are not allocated to operating segments.

(1) Segment income (loss)

For the three months ended September 30, 2018

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 1,787,637	\$ 1,060,526	\$ —	\$ 2,848,163
Inter-segment	530,695	64,396	(595,091)	—
Total revenue	<u>\$ 2,318,332</u>	<u>\$ 1,124,922</u>	<u>\$ (595,091)</u>	<u>\$ 2,848,163</u>
Segment income (loss)				
(Income before income tax)	<u>\$ 301,673</u>	<u>\$ (78,022)</u>	<u>\$ 59,868</u>	<u>\$ 283,519</u>

Note: Inter-segment revenues were eliminated upon consolidation.

For the three months ended September 30, 2017

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 1,676,630	\$ 1,547,686	\$ —	\$ 3,224,316
Inter-segment	699,591	65,292	(764,883)	—
Total revenue	<u>\$ 2,376,221</u>	<u>\$ 1,612,978</u>	<u>\$ (764,883)</u>	<u>\$ 3,224,316</u>
Segment income (loss)				
(Income before income tax)	<u>\$ 356,232</u>	<u>\$ 63,705</u>	<u>\$ (53,229)</u>	<u>\$ 366,708</u>

Note: Inter-segment revenues were eliminated upon consolidation.

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For the nine months ended September 30, 2018

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 4,073,240	\$ 3,160,076	\$ —	\$ 7,233,316
Inter-segment	1,826,246	118,800	(1,945,046)	—
Total revenue	<u>\$ 5,899,486</u>	<u>\$ 3,278,876</u>	<u>\$ (1,945,046)</u>	<u>\$ 7,233,316</u>
Segment income (loss) (Income before income tax)	<u>\$ 668,047</u>	<u>\$ (218,978)</u>	<u>\$ 201,793</u>	<u>\$ 650,862</u>

Note: Inter-segment revenues were eliminated upon consolidation.

For the nine months ended September 30, 2017

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 3,775,706	\$ 4,538,080	\$ —	\$ 8,313,786
Inter-segment	1,769,110	200,718	(1,969,828)	—
Total revenue	<u>\$ 5,544,816</u>	<u>\$ 4,738,798</u>	<u>\$ (1,969,828)</u>	<u>\$ 8,313,786</u>
Segment income (loss) (Income before income tax)	<u>\$ 724,164</u>	<u>\$ 216,350</u>	<u>\$ (173,818)</u>	<u>\$ 766,696</u>

Note: Inter-segment revenues were eliminated upon consolidation.

TABLE 1: FINANCING PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Whether A Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Note 10)	Amount Actually Drawn (Note 11)	Interest Rate Range	Nature of Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Short-term Financing (Note 6)	Loss Allowance	Collateral		Financing Limits for Each Borrower	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	\$ 430,164	\$ 427,658	\$ 274,923	1.20%~7.00%	2	—	Operating capital	—	—	—	\$ 1,405,359	\$ 2,810,717	(Note 7)
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	Other receivables - related parties	Y	1,229,040	1,221,880	595,440	1.20%~7.00%	2	—	Operating capital	—	—	—	1,405,359	2,810,717	(Note 7)

Note 1: Companies are coded as follows:

(1) Taiflex Scientific Co., Ltd. is coded "0".

(2) The investees are coded from "1" in the order presented in the table above.

Note 2: Receivables from affiliates and related parties, shareholder transactions, prepayments and temporary payments, etc. are required to be disclosed in this field if they are financings provided to others.

Note 3: The maximum balance of financing provided to others for the nine months ended September 30, 2018.

Note 4: Nature of Financing are coded as follows:

(1) Business transaction is coded "1".

(2) Short-term financing is coded "2".

Note 5: If the nature of financing is business transaction, the amount of transaction shall be disclosed. The amount of transaction refers to the business transaction amount of the most recent year between the financing company and the borrower.

Note 6: With respect to short-term financing, the reasons of financing and the purpose of use by the counterparty shall be specified, such as loan repayment, equipment acquisition or operating capital.

Note 7: The Company's "Procedures for Lending Funds to Other Parties" stipulates that the amount of financing provided shall not exceed 40% of the Company's net worth in the most recent financial statements. The amount of financing provided to any single entity shall not exceed 20% of the Company's net worth in the most recent financial statements.

Note 8: Total amount of financing to firms or companies having business relationship with the Company shall not exceed 20% of the Company's net worth. The financing amount to an individual party is limited to the transaction amount between both parties. The transaction amount means the sales or purchasing amount between the parties, whichever is higher, and shall not exceed 10% of the Company's net worth. However, the lending amount to a single enterprise whose voting rights are 100% held, directly or indirectly, by the Company shall not exceed 20% of the Company's net worth.

Note 9: For subsidiaries that the Company holds, directly and indirectly, 100% of the voting rights, the financing provided to any single entity shall not exceed 20% of the net worth in the most recent financial statements of the financing company. Total financing shall not exceed 40% of the net worth in the most recent financial statements of the financing company.

Note 10: If public companies, pursuant to Paragraph 1, Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies, resolve each individual lending at the board meetings, the amounts resolved before drawing shall be the publicly-announced balance to disclose the risk they assume; provided however, if any repayment is made subsequently, the outstanding balance after such repayment shall be disclosed to reflect the risk adjusted. If public companies, pursuant to Paragraph 2, Article 14 of the same Regulations, authorize the chairperson by board resolution, within a certain monetary limit and a period not to exceed one year, to give loans in instalments or to make a revolving credit line available, the amount resolved shall be the publicly-announced balance. Although repayment may be made subsequently, as drawings are likely to happen again, the amount of financing resolved by the board shall be recorded as the publicly-announced balance.

Note 11: This is the ending balance after evaluation.

TABLE 2: ENDORSEMENT/GUARANTEE PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement/ Guarantee Secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement Provided by Parent Company to Subsidiaries (Note 7)	Endorsement Provided by Subsidiaries to Parent Company (Note 7)	Endorsement Provided to Subsidiaries in China (Note 7)
		Name	Nature of Relationship (Note 2)										
0	Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	2	\$ 3,513,397	\$ 122,904	\$ 122,188	\$ —	—	1.74%	\$ 3,513,397	Y	N	N
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	2	3,513,397	138,267	137,462	93,487	—	1.96%		Y	N	Y
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	2	3,513,397	1,320,872	1,311,745	148,480	—	18.67%		Y	N	Y
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	2	3,513,397	1,088,519	617,169	125,611	—	8.78%		Y	N	Y

Note 1: Companies are coded as follows:

(1) Taiflex Scientific Co., Ltd. is coded "0".

(2) The investees are coded from "1" in the order presented in the table above.

Note 2: The relationships between endorsement/guarantee providers and guaranteed parties are categorized into the following seven types. Please specify the type.

(1) A company that has business transactions with Taiflex.

(2) A company in which Taiflex directly or indirectly holds over 50% of the voting rights.

(3) A company that directly or indirectly holds over 50% of Taiflex's voting rights.

(4) Endorsements/guarantees between companies in which Taiflex directly or indirectly holds over 90% of the voting rights.

(5) Mutual endorsements/guarantees between companies in the same industry or between joint builders which are provided in accordance with contractual terms for construction projects.

(6) Endorsements/guarantees provided by each shareholder for their jointly invested company in proportion to their shareholding percentages.

(7) Joint and several securities between companies in the same industry for performance guarantees of pre-construction homes under the Consumer Protection Act.

Note 3: The overall amount of guarantees/endorsements shall not exceed 50% of the Company's net worth in the most recent financial statements. The amount of guarantees/endorsements provided to a single entity shall not exceed 20% of the net worth in the most recent financial statements. However, the restriction does not apply to guarantees/endorsements to companies whose voting rights are 100% held, directly or indirectly, by the Company.

Note 4: The maximum endorsement/guarantee balance for the nine months ended September 30, 2018.

Note 5: This refers amounts approved by the Board of Directors. However, for matters delegated by the Board to the Chairperson in accordance with Subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, this would be the amounts approved by the Chairperson.

Note 6: This is the ending balance after evaluation.

Note 7: Fill in "Y" for endorsements/guarantees provided by listed parent companies to subsidiaries and vice versa, and for ones provided to subsidiaries in Mainland China.

TABLE 3: MARKETABLE SECURITIES HELD AS OF SEPTEMBER 30, 2018 (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type of Marketable Securities (Note 1)	Name of Marketable Securities (Note 1)	Relationship with the Company (Note 2)	Financial Statement Account	September 30, 2018				Note
					Shares (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
Taiflex Scientific Co., Ltd.	Non-listed (OTC) stocks	Exploit Technology Co., Ltd.	—	Financial assets at fair value through other comprehensive income, non-current	25	—	0.30%	—	—
	Non-listed (OTC) stocks	Kyoritsu Optronics Co., Ltd.	—	Financial assets at fair value through other comprehensive income, non-current	741	—	18.10%	—	—
	Listed stocks	Zhen Ding Technology Holding Limited	—	Financial assets at fair value through profit or loss, current	255	\$ 17,365	0.03%	\$ 17,365	—

Note 1: The marketable securities stated in this table shall refer to stocks, bonds, beneficiary certificates and securities derived from the said items within the scope of IFRS 9 "Financial Instruments".

Note 2: Not required if the issuer of the marketable securities is not a related party.



TABLE 4: RELATED PARTY TRANSACTIONS WITH PURCHASE OR SALES AMOUNT OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	Percentage to Total	Credit / Payment Terms	Unit Price	Credit / Payment Terms	Ending Balance	Percentage to Total	
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	\$ 1,674,906	29.35%	150 days end of month	—	—	1,418,170	38.28%	—
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	1,674,906	68.76%	150 days end of month	—	—	(1,418,170)	(86.17%)	—

Note 1: The sales prices and collection terms to related parties are not significantly different from those of sales to non-related parties.

TABLE 5: RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Ratio (times)	Overdue		Amounts Received in Subsequent Periods	Lost Allowance	Note
					Amount	Action Taken			
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	\$ 1,418,170	1.55	\$ 231,077	Continue to push for collection	\$ 53,327	—	—

TABLE 6: INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE OR CONTROL DIRECTLY OR INDIRECTLY (EXCLUDING INVESTEES IN MAINLAND CHINA)  
(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2018			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				September 30, 2018	December 31, 2017	Shares (In Thousands)	Shareholding Percentage	Carrying Value			
Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	Belize	Investment holding	\$ 704,536	\$ 822,194	21,825	100.00%	\$ 1,214,325	(\$227,923)	(\$228,311)	(Note 1)
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	13,294	(2,756)	(2,756)	—
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	294,102	294,102	13,700	53.86%	233,666	13,034	2,941	(Note 2)
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	102,894	102,894	3,611	15.07%	52,410	78,437	20,622	—
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	466,515	48,840	48,840	—
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	525,733	—	17,500	53.01%	559,313	57,778	8,923	—
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading of electronic materials and technical support	16,260	16,260	6	100.00%	17,008	201	201	—
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical service of electronic materials and marketing	8,821	—	1	100.00%	8,641	(512)	(512)	—
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	46.99%	495,711	57,778	48,855	—
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	801,604	21,170	100.00%	1,189,509	(210,998)	(210,998)	—
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	28,649	28,649	960	100.00%	14,948	(1,088)	(1,088)	—
KTC Global Co., Ltd	KTC PanAsia Co., Ltd.	Samoa	Investment holding	28,500	28,500	955	100.00%	15,779	(1,626)	(1,626)	—

Note 1: Including unrealized gain/loss between affiliates.

Note 2: Including amortization of fixed assets.

TABLE 7: INFORMATION ON INVESTMENTS IN MAINLAND CHINA

(In Thousands of New Taiwan Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2018	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/ Loss	Carrying Amount as of September 30, 2018	Accumulated Inward Remittance of Earnings as of September 30, 2018
					Outflow	Inflow						
Kunshan Taiflex Electronic Material Co., Ltd.	Trading of coating materials for high polymer film and copper foil	— (Note 3)	2	\$ 32,536	—	\$ 32,536	—	—	—	\$ 1,284	—	\$ 196,579
Taiflex Scientific (Kunshan) Co., Ltd.	Manufacturing and selling of coating materials for high polymer film and copper foil	\$767,141 (US\$24,000,000)	2	767,141	—	—	767,141	(247,741)	100.00%	(247,741)	\$ 1,189,201	—
Kunshan Koatech Technology Corporation	A wholesaler and a commission agent of electronic materials and components	\$28,351 (US\$950,000)	2	28,351	—	—	28,351	(1,626)	53.86%	(876)	8,491	—
Shenzhen Taiflex Electronic Co., Ltd.	Trading of coating materials for high polymer film and copper foil	\$479,160 (US\$15,500,000)	2	479,160	—	—	479,160	47,679	100.00%	47,679	536,795	—
Rudong Fuzhan Scientific Co., Ltd.	Manufacturing and selling of electronic materials	\$525,733 (US\$17,500,000)	2	—	\$525,733	—	525,733	10,130	100.00%	10,130	518,060	—
Accumulated Outflow of Investment from Taiwan to Mainland China as of September 30, 2018				Investment Amounts Authorized by the Investment Commission, MOEA				Upper Limit on Investment				
\$1,800,385				\$2,367,190				\$4,216,076				

Note 1: The methods for investment in Mainland China are categorized into the following three types. Please specify the type.

- (1) Direct investment in Mainland China.
- (2) Investment in Mainland China through companies in the third area.
- (3) Others.

Note 2: Significant transactions with the investees in China directly or indirectly through the third area and the relevant prices, payment terms and unrealized gains and losses:

- (1) Purchase, ending balance of related payables and their weightings: see Table 4.
- (2) Sales, ending balance of related receivables and their weightings: see Tables 4 and 5.
- (3) The transaction amount and gain or loss arising from property transactions: N/A.
- (4) Ending balance of endorsements/guarantees or collateral provided and the purposes: see Table 2.
- (5) Maximum balance, ending balance, interest rate range and total interest of current period from financing provided to others: see Table 1.
- (6) Transactions that have significant impact on profit or loss of the current period or the financial position, such as services rendered or received: N/A.

Note 3: The liquidation of Kunshan Taiflex Electronic Material Co., Ltd. was completed by August, 2018.

TABLE 8: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount (Note 4)	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Sales revenue	\$ 88,743	General trading terms	1.23%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Accounts receivable	83,729	General trading terms	0.69%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Other receivables	15,947	—	0.13%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Other receivables	595,440	Financing	4.91%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Cost of revenue	85,869	General trading terms	1.19%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Accounts payable	17,348	General trading terms	0.14%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	1	Purchase on behalf of others	15,695	—	0.22%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Sales revenue	1,674,906	General trading terms	23.16%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	1,418,170	General trading terms	11.70%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Other receivables	274,923	Financing	2.27%

Note 1: Transaction information between the parent company and its subsidiaries shall be disclosed by codes below:

- (1) Taiflex Scientific Co., Ltd. is coded "0".
- (2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationships are categorised into the following three types. Please specify the type.

- (1) From the parent company to a subsidiary.
- (2) From a subsidiary to the parent company.
- (3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated net revenue or total assets, it is computed based on the ending balance to the consolidated total assets for balance sheet items; and based on the interim accumulated amount to the consolidated net revenue for profit or loss items.

Note 4: This is the ending balance after evaluation.