

TAIFLEX SCIENTIFIC COMPANY LIMITED
AND SUBSIDIARIES

Consolidated Financial Statements for the
Three Months Ended March 31, 2020 and 2019 and
Independent Auditors' Review Report

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Notice to Readers

The English consolidated financial statements are not reviewed nor audited by independent auditors. They have been translated into English from the original Chinese version which are reviewed by independent auditors. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese version shall prevail.

Table of Contents

Item	Page
1. Cover	
2. Table of Contents	1
3. Independent Auditors' Review Report	2
4. Consolidated Balance Sheets	3-4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7-8
8. Notes to Consolidated Financial Statements	
(1) History and Organization	9
(2) Date and Procedures of Authorization of Financial Statements	9
(3) Newly Issued or Revised Standards and Interpretations	9-10
(4) Summary of Significant Accounting Policies	10-11
(5) Significant Accounting Judgments and Major Sources of Estimation Uncertainty	11-12
(6) Details of Significant Accounts	12-28
(7) Related Party Transactions	29
(8) Pledged Assets	29
(9) Significant Contingencies and Unrecognized Contract Commitments	29
(10) Significant Disaster Loss	29
(11) Significant Subsequent Events	29
(12) Others	30-37
(13) Additional Disclosures	
A. Information on Significant Transactions and Investees	37-38, 40-44, 46
B. Information on Investments in Mainland China	38,45
C. Information on Major Shareholders	38,47
(14) Operating Segment Information	38-39

Independent Auditors' Review Report

To Taiflex Scientific Co., Ltd.

Introduction

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

Scope of review

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

Conclusion

Based on our reviews, we did not discover matters which would lead us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial status of Taiflex Group as of March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission.

Ernst & Young, Taiwan

April 22, 2020

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2020, December 31, 2019 and March 31, 2019
(Numbers as of March 31, 2020 and 2019 Are Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

Assets	Notes	March 31, 2020	December 31, 2019	March 31, 2019
Current assets				
Cash and cash equivalents	4, 6(1)	\$ 2,499,995	\$ 2,584,521	\$ 1,618,993
Financial assets at fair value through profit or loss - current	4, 6(2)	27,560	38,131	25,106
Financial assets at amortized cost - current	4, 6(3)	231,189	49,000	-
Notes receivable, net	4, 6(4)	716,683	748,651	1,283,066
Accounts receivable, net	4, 6(5)	2,265,567	2,591,519	2,334,527
Other receivables		46,395	27,476	58,866
Inventories, net	4, 6(6)	1,062,744	938,566	1,787,071
Prepayments		121,816	127,932	102,259
Non-current assets held for sale	4, 6(7)	467,020	473,439	-
Other current assets	8	36,920	22,658	30,173
Total current assets		<u>7,475,889</u>	<u>7,601,893</u>	<u>7,240,061</u>
Non-current assets				
Financial assets at fair value through other comprehensive income - non-current	4, 6(8)	-	-	-
Investments accounted for under the equity method	4, 6(9)	45,884	49,470	58,278
Property, plant and equipment	4, 6(10)	3,125,049	2,993,090	3,078,011
Right-of-use assets	4, 6(21)	375,653	379,444	416,182
Intangible assets	4, 6(11,13)	125,012	127,107	116,142
Deferred income tax assets	4, 6(24)	212,655	205,308	144,534
Other non-current assets	4, 6(12)	16,520	17,669	33,595
Total non-current assets		<u>3,900,773</u>	<u>3,772,088</u>	<u>3,846,742</u>
Total assets		<u>\$ 11,376,662</u>	<u>\$ 11,373,981</u>	<u>\$ 11,086,803</u>

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS-(Continued)
March 31, 2020, December 31, 2019 and March 31, 2019
(Numbers as of March 31, 2020 and 2019 Are Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	March 31, 2020	December 31, 2019	March 31, 2019
Current liabilities				
Short-term loans	6(14)	\$ 520,000	\$ 740,000	\$ 772,337
Financial liabilities at fair value through profit or loss - current	4, 6(15)	267	344	8,068
Contract liabilities - current	4, 6(19)	1,347	1,084	1,841
Notes payable		459	358	693
Accounts payable		1,160,740	833,240	1,409,266
Other payables		480,365	555,656	479,833
Current income tax liabilities	4, 6(24)	152,829	135,929	238,484
Lease liabilities - current	4, 6(21)	14,536	15,744	15,935
Current portion of long-term loans	6(16)	-	11,009	11,215
Other current liabilities		2,898	2,470	1,964
Total current liabilities		<u>2,333,441</u>	<u>2,295,834</u>	<u>2,939,636</u>
Non-current liabilities				
Long-term loans	6(16)	863,370	923,556	241,916
Deferred income tax liabilities	4, 6(24)	82,137	114,231	93,386
Lease liabilities – non-current	4, 6(21)	252,351	252,171	257,994
Net defined benefit liabilities - non-current	4, 6(17)	221,359	219,550	139,989
Other non-current liabilities	4, 12	213,103	216,029	255
Total non-current liabilities		<u>1,632,320</u>	<u>1,725,537</u>	<u>733,540</u>
Total liabilities		<u>3,965,761</u>	<u>4,021,371</u>	<u>3,673,176</u>
Equity attributable to shareholders of the parent				
Capital	6(18)			
Common stock		2,091,197	2,091,197	2,091,197
Capital surplus	6(18)	1,342,765	1,342,759	1,446,645
Retained earnings				
Legal capital reserve		882,821	882,821	815,590
Special capital reserve		166,117	166,117	75,546
Unappropriated earnings		3,077,691	2,994,142	2,992,218
Total retained earnings		<u>4,126,629</u>	<u>4,043,080</u>	<u>3,883,354</u>
Others	4	<u>(256,723)</u>	<u>(230,993)</u>	<u>(124,523)</u>
Total equity attributable to shareholders of the parent		<u>7,303,868</u>	<u>7,246,043</u>	<u>7,296,673</u>
Non-controlling interests	4, 6(18)	107,033	106,567	116,954
Total equity		<u>7,410,901</u>	<u>7,352,610</u>	<u>7,413,627</u>
Total liabilities and equity		<u>\$ 11,376,662</u>	<u>\$ 11,373,981</u>	<u>\$ 11,086,803</u>

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

(Concluded)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months Ended March 31, 2020 and 2019
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

	Notes	Three Months Ended March 31	
		2020	2019
Net revenue	4, 6(19)	\$ 1,614,049	\$ 1,372,701
Cost of revenue	4, 6(6)	(1,273,972)	(1,215,831)
Gross profit		<u>340,077</u>	<u>156,870</u>
Operating expenses	4, 6(22)		
Sales and marketing expenses		(86,334)	(82,911)
General and administrative expenses		(66,335)	(75,846)
Research and development expenses		(61,518)	(48,712)
Expected credit impairment gain (loss)	6(20)	595	(114)
Total operating expenses		<u>(213,592)</u>	<u>(207,583)</u>
Operating income (loss)		<u>126,485</u>	<u>(50,713)</u>
Non-operating income and expenses	6(23)		
Other income		10,369	62,963
Other gains and losses		(27,538)	(1,916)
Finance costs		(4,682)	(4,880)
Share of profit or loss of associates accounted for under the equity method	4, 6(7)	(3,592)	(3,198)
Total non-operating income and expenses		<u>(25,443)</u>	<u>52,969</u>
Income before income tax		101,042	2,256
Income tax expense	4, 6(24)	(16,934)	(11,847)
Net income (loss) of continuing operations		<u>84,108</u>	<u>(9,591)</u>
Net income (loss)		<u>84,108</u>	<u>(9,591)</u>
Other comprehensive income (loss)	6(23)		
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(32,279)	52,204
Income tax benefits (expenses) related to components of other comprehensive income that may be reclassified subsequently to profit or loss		6,456	(10,441)
Total other comprehensive income, net of tax		<u>(25,823)</u>	<u>41,763</u>
Total comprehensive income		<u>\$ 58,285</u>	<u>\$ 32,172</u>
Net income (loss) attributable to:	4, 6(25)		
Shareholders of the parent		\$ 83,549	\$ (7,165)
Non-controlling interests		559	(2,426)
		<u>\$ 84,108</u>	<u>\$ (9,591)</u>
Total comprehensive income (loss) attributable to:			
Shareholders of the parent		\$ 57,819	\$ 34,429
Non-controlling interests		466	(2,257)
		<u>\$ 58,285</u>	<u>\$ 32,172</u>
Earnings per share (NT\$)	4, 6(25)		
Earnings per share - basic		\$ 0.40	\$ (0.03)
Earnings per share - diluted		<u>\$ 0.40</u>	<u>\$ (0.03)</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 Three Months Ended March 31, 2020 and 2019
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

Item	Equity Attributable to Shareholders of the Parent									
	Retained Earnings					Others				
	Common Stock	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	Total	Non- Controlling Interests	Total Equity
Balance as of January 1, 2019	\$ 2,091,197	\$ 1,446,639	\$ 815,590	\$ 75,546	\$2,999,383	\$ (159,517)	\$ (6,600)	\$ 7,262,238	\$ 119,211	\$ 7,381,449
Changes in other capital surplus										
Changes in associates accounted for under the equity method		6						6		6
Net loss for the three months ended March 31, 2019					(7,165)			(7,165)	(2,426)	(9,591)
Other comprehensive income for the three months ended March 31, 2019						41,594		41,594	169	41,763
Total comprehensive income	-	-	-	-	(7,165)	41,594	-	34,429	(2,257)	32,172
Balance as of March 31, 2019	<u>\$ 2,091,197</u>	<u>\$ 1,446,645</u>	<u>\$ 815,590</u>	<u>\$ 75,546</u>	<u>\$2,992,218</u>	<u>\$ (117,923)</u>	<u>\$ (6,600)</u>	<u>\$ 7,296,673</u>	<u>\$ 116,954</u>	<u>\$ 7,413,627</u>
Balance as of January 1, 2020	\$ 2,091,197	\$ 1,342,759	\$ 882,821	\$ 166,117	\$2,994,142	\$ (224,393)	\$ (6,600)	\$ 7,246,043	\$ 106,567	\$ 7,352,610
Changes in other capital surplus										
Changes in associates accounted for under the equity method		6						6		6
Net income for the three months ended March 31, 2020					83,549			83,549	559	84,108
Other comprehensive income for the three months ended March 31, 2020						(25,730)		(25,730)	(93)	(25,823)
Total comprehensive income	-	-	-	-	83,549	(25,730)	-	57,819	466	58,285
Balance as of March 31, 2020	<u>\$ 2,091,197</u>	<u>\$ 1,342,765</u>	<u>\$ 882,821</u>	<u>\$ 166,117</u>	<u>\$3,077,691</u>	<u>\$ (250,123)</u>	<u>\$ (6,600)</u>	<u>\$ 7,303,868</u>	<u>\$ 107,033</u>	<u>\$ 7,410,901</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 Three Months Ended March 31, 2020 and 2019
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

	Three Months Ended March 31	
	2020	2019
Cash flows from operating activities:		
Income before income tax	\$ 101,042	\$ 2,256
Adjustments:		
Non-cash income and expense items:		
Depreciation	73,051	83,095
Amortization	4,926	6,325
Expected credit impairment (gain) loss	(595)	114
Net loss on financial assets (liabilities) at fair value through profit or loss	14,541	17,618
Interest expense	4,682	4,880
Interest income	(2,569)	(3,499)
Share of loss of associates accounted for under the equity method	3,592	3,198
Loss on disposal of property, plant and equipment	-	417
Impairment loss for non-financial assets	-	45,648
Others	5,589	116,195
Changes in operating assets and liabilities:		
Increase in financial assets mandatorily at fair value through profit or loss	(4,047)	(874)
Decrease (increase) in notes receivable	31,968	(65,047)
Decrease in accounts receivable	326,926	1,342,498
Increase in other receivables	(19,248)	(5,544)
Increase in inventories	(129,767)	(439,103)
Increase in prepayments	(7,490)	(19,642)
Decrease in other current assets	(14,262)	(4,761)
Increase (decrease) in contract liabilities	263	(531)
Increase (decrease) in notes payable	101	(65,079)
Increase (decrease) in accounts payable	327,500	(263,483)
Decrease in other payables	(59,162)	(143,182)
Increase (decrease) in other current liabilities	428	(4,098)
Increase in net defined benefit liabilities	1,809	1,566
Cash generated from operations	<u>659,278</u>	<u>608,967</u>
Interest received	2,898	4,782
Interest paid	(4,880)	(5,520)
Income tax paid	(19,413)	(3,094)
Net cash generated by operating activities	<u>637,883</u>	<u>605,135</u>

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

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TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)
For the Three Months Ended March 31, 2020 and 2019
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

	Three Months Ended March 31	
	2020	2019
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	\$ (182,189)	\$ -
Acquisition of investments accounted for under the equity method	-	(10,000)
Acquisition of property, plant and equipment	(223,314)	(183,589)
Increase in refundable deposits	-	(347)
Decrease in refundable deposits	782	-
Acquisition of intangible assets	(2,393)	(5,387)
Net cash used in investing activities	<u>(407,114)</u>	<u>(199,323)</u>
Cash flows from financing activities:		
Decrease in short-term loans	(220,000)	(589,717)
Repayment of long-term loans	(71,195)	(88,801)
Decrease in guarantee deposits received	(2,926)	-
Repayment of lease principal	(4,328)	(3,867)
Net cash used in financing activities	<u>(298,449)</u>	<u>(682,385)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(16,846)</u>	<u>32,980</u>
Net decrease in cash and cash equivalents	(84,526)	(243,593)
Cash and cash equivalents at beginning of period	2,584,521	1,862,586
Cash and cash equivalents at end of period	<u>\$ 2,499,995</u>	<u>\$ 1,618,993</u>

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

(Concluded)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019 and the Year Ended December 31, 2019

(Numbers for the Three Months Ended March 31, 2020 and 2019 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 and cover layer. The shares of the Company commenced trading on Taipei Exchange 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 three months ended March 31, 2020 and 2019 were approved and authorized for issue in the Board of Directors’ meeting on April 22, 2020.

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, 2020. The first-time adoption of the newly issued or revised standards and interpretations does not have any material impact on the Group.
- (2) 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 but not yet endorsed by FSC:

<u>No.</u>	<u>Projects of New or Amended Standards or Interpretations</u>	<u>Effective Date</u>
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
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2022

Items with potential effects on the Group’s financial statements due to the adoption of above standards or interpretations, which are issued by IASB but not yet endorsed by FSC, for future periods are listed below:

- A. 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 over 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 or 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 over a subsidiary. The

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

(Reviewed, not Audited)

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

amendments place restrictions on the above-mentioned rules of IAS 28. The gains or losses from the sale or contribution of assets defined as a business under IFRS 3 shall be recognized in full.

The amendments also change IFRS 10 so that 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.

B. Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments aim at paragraphs 69 to 76 of IAS 1 “Presentation of Financial Statements” where liabilities are classified as current or non-current.

For the aforementioned standards or interpretations issued by IASB but not yet endorsed by FSC, the effective dates are to be determined by FSC. The Group currently assesses the potential effects of the new, revised and amended standards or interpretations in the preceding paragraphs on the financial status 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 three months ended March 31, 2020 and 2019 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 measured at fair value. Unless otherwise stated, the numbers within are expressed in thousands of New Taiwan dollars.

(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, 2019. Please refer to the consolidated financial statements for the year ended December 31, 2019 for details.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Percentage of Ownership		
			2020.3.31	2019.12.31	2019.3.31
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%

(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)

Investor	Subsidiary	Main Business	Percentage of Ownership		
			2020.3.31	2019.12.31	2019.3.31
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 and technical support of electronic materials	100.00%	100.00%	100.00%
The Company	Taiflex USA Corporation (USA Taiflex)	Technical support and marketing of electronic materials	100.00%	100.00%	100.00%
The Company	Richstar Co., Ltd. (Richstar)	Investment holding	69.29%	66.29%	53.01%
Taistar	TSC International Ltd. (TSC)	Investment holding	100.00%	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	30.71%	33.71%	46.99%
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%	100.00%	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%

(Concluded)

(4) The consolidated financial statements for the three months ended March 31, 2020 and 2019 adopt the same accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2019. Please refer to the consolidated financial statements for the year ended December 31, 2019 for a summary of other significant accounting policies.

5. Significant Accounting Judgments and Major Sources of Estimation Uncertainty

The same significant accounting judgments, estimates, and assumptions have been followed in the consolidated financial statements for the three months ended March 31, 2020 and 2019 as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2019. For the summary of significant accounting judgments, estimates, and

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

(Reviewed, not Audited)

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

assumptions, please refer to the consolidated financial statements for the year ended December 31, 2019.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand and petty cash	\$ 678	\$ 702	\$ 751
Bank deposits	2,499,317	2,583,819	1,618,242
Total	<u>\$ 2,499,995</u>	<u>\$ 2,584,521</u>	<u>\$ 1,618,993</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Mandatorily at fair value through profit or loss:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 3,696	\$ 3,150	\$ 738
- Foreign exchange swap contracts	184	-	-
Stocks	23,680	34,981	24,368
Total	<u>\$ 27,560</u>	<u>\$ 38,131</u>	<u>\$ 25,106</u>

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

(3) Financial assets at amortized cost – current

	March 31, 2020	December 31, 2019	March 31, 2019
Time deposits – current	\$ 98,800	\$ 49,000	\$ -
Restricted bank deposits	132,389	-	-
Total	<u>\$ 231,189</u>	<u>\$ 49,000</u>	<u>\$ -</u>

Some financial assets were classified as financial assets at amortized cost by the Group and they were not pledged. Please refer to Note 12 for information concerning credit risk.

Pursuant to the “Regulations on Industries Investment from Repatriated Offshore Funds”, the Group has been approved by the National Taxation Bureau, Ministry of Finance and had the Ministry of Economic Affairs approved the investment plan. In accordance with the Regulations, the money cannot be used for any purpose except for ones approved by the competent authorities.

(4) Notes receivable, net

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable, net	<u>\$ 716,683</u>	<u>\$ 748,651</u>	<u>\$ 1,283,066</u>

The Group's notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6(20) for details on loss allowance and Note 12 for credit risk.

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

(Reviewed, not Audited)

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

(5) Accounts receivable, net

	March 31, 2020	December 31, 2019	March 31, 2019
Accounts receivable	\$ 2,320,760	\$ 2,647,687	\$ 2,413,249
Less: Loss allowance	(55,193)	(56,168)	(78,722)
Accounts receivable, net	<u>\$ 2,265,567</u>	<u>\$ 2,591,519</u>	<u>\$ 2,334,527</u>

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

B. The credit terms of accounts receivables are generally set at 60 to 180 days from the end of month. The gross carrying amounts were NT\$2,320,760 thousand, NT\$2,647,687 thousand and NT\$2,413,249 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively. Please refer to Note 6(20) for loss allowance for the three months ended March 31, 2020 and 2019 and Note 12 for credit risk.

(6) Inventories, net

	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials	\$ 365,227	\$ 257,685	\$ 696,519
Inventories in transit	85,787	46,876	119,276
Supplies	8,997	6,777	7,855
Work in process	87,535	66,861	75,462
Finished goods	286,187	322,585	588,299
Merchandise	229,011	237,782	299,660
Total	<u>\$ 1,062,744</u>	<u>\$ 938,566</u>	<u>\$ 1,787,071</u>

The Group recognized NT\$1,273,972 thousand and NT\$1,215,831 thousand of operating costs associated with inventories for the three months ended March 31, 2020 and 2019, respectively. The amounts included NT\$1,211 thousand and NT\$102,928 thousand of inventory valuation loss for inventories written down to their net realizable value for the three months ended March 31, 2020 and 2019, respectively. They were recognized as additions to operating costs.

The aforementioned inventories were not pledged.

(7) Non-current assets held for sale

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Non-current assets held for sale</u>			
Property, plant and equipment	\$ 441,052	\$ 447,114	\$ -
Right-of-use assets	18,293	18,545	-
Other non-current assets	7,675	7,780	-
Total	<u>\$ 467,020</u>	<u>\$ 473,439</u>	<u>\$ -</u>

The Company resolved to sold the right-of use assets, i.e. land, property, plant and equipment, and other non-current assets, of its subsidiary, Taiflex Scientific (Kunshan) Co., Ltd., to a non-related party, the Kunshan Plant of Flexium Interconnect, Inc., in the Board of Directors' meeting on December 12, 2019. As the sales proceeds exceeded the carrying amount of net assets, there was no impairment loss to be recognized when classifying those assets as

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

(Reviewed, not Audited)

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

non-current assets held for sale. As of March 31, 2020, the ownership of those assets was pending to be transferred; thus, they were classified as non-current assets held for sale.

(8) Financial assets at fair value through other comprehensive income – non-current

	March 31, 2020	December 31, 2019	March 31, 2019
Equity instrument investments at fair value through other comprehensive income – non-current:			
Non-publicly traded stocks	\$ -	\$ -	\$ -

The said financial assets at fair value through other comprehensive income were not pledged.

(9) Investments accounted for under the equity method

	March 31, 2020		December 31, 2019		March 31, 2019	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in associates:						
Innovision FlexTech Corp.	\$ 34,085	15.07%	\$ 36,218	15.07%	\$ 48,378	15.07%
Geckos Technology Corp.	11,799	31.24%	13,252	31.24%	9,900	35.71%
Net	\$ 45,884		\$ 49,470		\$ 58,278	

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

A. The shares of profit or loss of associates accounted for under the equity method based on the associates' unreviewed financial statements for the three months ended March 31, 2020 and 2019 were as follows:

	Three Months Ended March 31	
	2020	2019
Investee		
Innovision FlexTech Corp.	\$ (2,139)	\$ (3,098)
Geckos Technology Corp.	(1,453)	(100)
Total	\$ (3,592)	\$ (3,198)

B. The Group accounted for Innovision FlexTech Corp. (Innovision) using the equity method as it had significant influence over the investee through ownership and representation on Innovision's board of directors.

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

	March 31, 2020	December 31, 2019	March 31, 2019
Total assets	\$ 526,059	\$ 538,417	\$ 584,131
Total liabilities	\$ 279,758	\$ 274,106	\$ 247,984

	Three Months Ended March 31	
	2020	2019
Revenue	\$ 39,736	\$ 20,435
Net loss	\$ (18,663)	\$ (21,656)

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

(Reviewed, not Audited)

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

(10) Property, plant and equipment

	March 31, 2020	December 31, 2019	March 31, 2019
Owner-occupied property, plant and equipment	\$3,125,049	\$2,993,090	\$3,078,011

A. Owner-occupied property, plant and equipment

	As of January 1, 2020	Additions	Disposals	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of March 31, 2020
<u>Cost</u>							
Land	\$ 100,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,843
Buildings	1,257,430	60	-	540	-	-	1,258,030
Machinery and equipment	2,701,055	2,550	(1,474)	19,686	-	(1,570)	2,720,247
Hydropower equipment	383,262	240	-	860	-	(26)	384,336
Testing equipment	352,147	3,926	(2,103)	2,938	-	(94)	356,814
Miscellaneous equipment	354,851	2,345	(872)	8,472	-	(220)	364,576
Total	\$ 5,149,588	\$ 9,121	\$ (4,449)	\$ 32,496	\$ -	\$ (1,910)	\$5,184,846
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 417,369	\$ 13,125	\$ -	\$ -	\$ -	\$ -	\$ 430,494
Machinery and equipment	1,795,763	38,807	(1,474)	-	-	(235)	1,832,861
Hydropower equipment	228,887	3,520	-	-	-	-	232,407
Testing equipment	167,139	7,676	(2,103)	-	-	(12)	172,700
Miscellaneous equipment	262,713	4,426	(872)	-	-	(85)	266,182
Total	\$2,871,871	\$ 67,554	\$ (4,449)	\$ -	\$ -	\$ (333)	\$2,934,644
Construction in progress and equipment awaiting inspection	715,373	198,262	-	(32,632)	-	(6,156)	874,847
Net	\$2,993,090						\$3,125,049

	As of January 1, 2019	Additions	Disposals	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of March 31, 2019
<u>Cost</u>							
Land	\$ 100,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,843
Buildings	1,692,479	-	-	-	-	11,564	1,704,043

(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)

	As of January 1, 2019	Additions	Disposals	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of March 31, 2019
Machinery and equipment	\$ 2,711,297	\$ 7,981	\$ (141)	\$ 69,659	\$ —	\$ 9,711	\$2,798,507
Hydropower equipment	485,254	—	—	—	—	3,352	488,606
Testing equipment	296,469	3,318	(2,455)	6,380	—	600	304,312
Miscellaneous equipment	380,600	1,248	(8,996)	980	—	1,854	375,686
Total	<u>\$ 5,666,942</u>	<u>\$ 12,547</u>	<u>\$ (11,592)</u>	<u>\$ 77,019</u>	<u>\$ —</u>	<u>\$ 27,081</u>	<u>\$5,771,997</u>
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 538,473	\$ 17,997	\$ —	\$ —	\$ —	\$ 4,121	\$ 560,591
Machinery and equipment	1,787,283	42,812	(141)	—	45,648	7,303	1,882,905
Hydropower equipment	298,923	5,141	—	—	—	2,167	306,231
Testing equipment	145,408	6,691	(2,195)	—	—	412	150,316
Miscellaneous equipment	289,430	4,899	(8,839)	—	—	1,486	286,976
Total	<u>\$3,059,517</u>	<u>\$ 77,540</u>	<u>\$ (11,175)</u>	<u>\$ —</u>	<u>\$ 45,648</u>	<u>\$ 15,489</u>	<u>\$3,187,019</u>
Construction in progress and equipment awaiting inspection	411,218	154,431	—	(77,019)	—	4,403	493,033
Net	<u>\$3,018,643</u>						<u>\$3,078,011</u>

(Concluded)

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

(11) Intangible assets

	March 31, 2020	December 31, 2019	March 31, 2019
Trademarks	\$ 297	\$ 312	\$ 339
Patents	8,158	8,284	6,975
Software cost	46,776	48,730	39,047
Goodwill	69,781	69,781	69,781
Total	<u>\$ 125,012</u>	<u>\$ 127,107</u>	<u>\$ 116,142</u>

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

(Reviewed, not Audited)

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

	As of January 1, 2020	Additions	Reclassification	Effect of Exchange Rate Changes	As of March 31, 2020
<u>Cost</u>					
Trademarks	\$ 691	\$ -	\$ -	\$ -	\$ 691
Patents	47,336	76	-	-	47,412
Software cost	165,294	2,317	136	1,116	168,863
Goodwill	69,781	-	-	-	69,781
Total	<u>\$ 283,102</u>	<u>\$ 2,393</u>	<u>\$ 136</u>	<u>\$ 1,116</u>	<u>\$ 286,747</u>
<u>Accumulated amortization and impairment</u>					
Trademarks	\$ 379	\$ 15	\$ -	\$ -	\$ 394
Patents	39,052	202	-	-	39,254
Software cost	116,564	4,350	-	1,173	122,087
Total	<u>155,995</u>	<u>\$ 4,567</u>	<u>\$ -</u>	<u>\$ 1,173</u>	<u>161,735</u>
Net	<u>\$ 127,107</u>				<u>\$ 125,012</u>
	As of January 1, 2019	Additions	Reclassification	Effect of Exchange Rate Changes	As of March 31, 2019
<u>Cost</u>					
Trademarks	\$ 672	\$ -	\$ -	\$ -	\$ 672
Patents	45,022	318	-	-	45,340
Software cost	138,319	5,069	-	340	143,728
Goodwill	69,781	-	-	-	69,781
Total	<u>\$ 253,794</u>	<u>\$ 5,387</u>	<u>\$ -</u>	<u>\$ 340</u>	<u>\$ 259,521</u>
<u>Accumulated amortization and impairment</u>					
Trademarks	\$ 318	\$ 15	\$ -	\$ -	\$ 333
Patents	38,174	191	-	-	38,365
Software cost	100,594	3,885	-	202	104,681
Total	<u>139,086</u>	<u>\$ 4,091</u>	<u>\$ -</u>	<u>\$ 202</u>	<u>143,379</u>
Net	<u>\$ 114,708</u>				<u>\$ 116,142</u>

(12) Other non-current assets

	March 31, 2020	December 31, 2019	March 31, 2019
Refundable deposits	\$ 15,707	\$ 16,489	\$ 17,226
Other non-current assets - other	813	1,180	16,369
Total	<u>\$ 16,520</u>	<u>\$ 17,669</u>	<u>\$ 33,595</u>

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

(Reviewed, not Audited)

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

(13) Impairment testing of goodwill

Goodwill acquired through business combinations was allocated to each of the cash generating unit (CGUs), which were expected to benefit from synergies. Impairment evaluation on 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 the demand of relevant products. The Company conducted an impairment evaluation on recoverable amount of goodwill on December 31, 2019 and determined that the goodwill of NT\$69,781 thousand was not impaired.

Key assumptions used in value-in-use calculations

Discount rates – Discount rates reflect the current market assessment of the risks specific to each CGU (including the time value of money and the risks specific to the asset not included in the cash flow estimates). The Group uses the pre-tax discount rate to reflect the specific risk in the operating segment.

Sensitivity to changes in assumptions

The management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(14) Short-term loans

	March 31, 2020	December 31, 2019	March 31, 2019
Unsecured bank loans	\$ 520,000	\$ 740,000	\$ 772,337

The interest rate ranges of loans were 0.78% to 0.83%, 0.76% to 1.80% and 0.74% to 2.00% and the unused short-term credit facilities amounted to NT\$3,066,307 thousand, NT\$2,726,471 thousand and NT\$4,006,225 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

(15) Financial liabilities at fair value through profit or loss - current

	March 31, 2020	December 31, 2019	March 31, 2019
Held for trading:			
Derivative financial instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 267	\$ 278	\$ 7,441
- Foreign exchange swap contracts	-	66	627
Total	\$ 267	\$ 344	\$ 8,068

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

(Reviewed, not Audited)

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

(16) Long-term loans

	March 31, 2020	December 31, 2019	March 31, 2019
Secured loans	\$ 113,370	\$ 34,565	\$ 43,131
Revolving loans	750,000	900,000	210,000
Syndicated loans	-	-	-
Total	863,370	934,565	253,131
Less: current portion	-	(11,009)	(11,215)
Less: unamortized syndicated loan fee	-	-	-
Net	<u>\$ 863,370</u>	<u>\$ 923,556</u>	<u>\$ 241,916</u>

- A. The interest rate ranges of loans were 0.83% to 1.20%, 0.83% to 1.79% and 0.88% to 1.97% as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.
- B. Please refer to Note 8 for collateral of the long-term loans.
- C. 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 loan to NT\$1.5 billion or the equivalent in U.S. dollars in July 2017.) The contract term was five years from the initial drawdown date, i.e. June 2016 to June 2021 and the credit term of the agreement was mid-term loans - current. During the loan term, the Group was 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. The Company terminated the aforementioned syndicated loans in January 2020.

(17) Post-employment benefit plans

A. Defined contribution plan

Expenses under the defined contribution plan for the three months ended March 31, 2020 and 2019 were NT\$6,375 thousand and NT\$6,751 thousand, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan for the three months ended March 31, 2020 and 2019 were NT\$2,489 thousand and NT\$2,264 thousand, respectively.

(18) Equity

A. Capital

- (a) The Company's authorized capital was NT\$3,000,000 thousand, divided into 300,000 thousand shares (including 15,000 thousand shares with the amount of NT\$150,000 thousand reserved for the exercise of employee stock options, preferred stock with warrants and bond with warrants), each at a par value of NT\$10 as of March 31, 2020, December 31, 2019 and March 31 2019.
- (b) The Company's issued capital was NT\$2,091,197 thousand, divided into 209,120 thousand shares, each at a par value of NT\$10 as of March 31, 2020, December 31, 2019 and March 31 2019, respectively.

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

(Reviewed, not Audited)

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

B. Capital surplus

	March 31, 2020	December 31, 2019	March 31, 2019
Additional paid-in capital	\$ 938,334	\$ 938,334	\$ 1,042,894
Premium from merger	262,500	262,500	262,500
Donated assets	1,970	1,970	1,970
Treasury stock transactions	27,280	27,280	27,280
Others	112,681	112,675	112,001
Total	<u>\$ 1,342,765</u>	<u>\$ 1,342,759</u>	<u>\$ 1,446,645</u>

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 as stock dividends up to a certain percentage of paid-in capital. The said capital surplus could also be distributed in the form of cash dividends to its shareholders in proportion to the number of shares being held by each of them.

C. Appropriation of profits and dividend policies

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

- (a) Taxes and dues.
- (b) Deficit compensation.
- (c) 10% of net profit as legal capital reserves. However, this shall not apply when the accumulated legal capital reserve has equaled total paid-in capital.
- (d) Special capital reserve appropriated or reversed as stipulated by relevant laws and regulations or the competent securities authorities.
- (e) 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 Company complies with Order No. Jin-Guan-Zheng-Fa-1010012865 issued by the FSC on April 6, 2012, which sets out the following provisions: 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

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

(Reviewed, not Audited)

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

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.

As of March 31, 2020 and 2019, special capital reserve set aside for the first-time adoption of IFRS amounted to NT\$75,546 thousand.

Information about the appropriation of 2019 earnings resolved in the Board of Directors' meeting on February 26, 2020 and the appropriations of 2018 earnings approved in the shareholders' meeting on May 29, 2019 was as follows:

	Appropriation of Earnings		Dividend per Share (NT\$)	
	2019	2018	2019	2018
Legal capital reserve	\$ 57,080	\$ 67,231	-	-
Special capital reserve	64,875	90,571	-	-
Cash dividends - common stocks	250,944	418,239	\$ 1.20	\$ 2.00

The Company proposed in the Board of Directors' meeting on February 26, 2020 to distribute NT\$271,855 thousand from capital surplus to shareholders in the form of cash. Shareholders are entitled to receive NT\$1.3 per share.

The shareholders' meeting on May 29, 2019 resolved to distribute NT\$104,560 thousand from capital surplus to shareholders in the form of cash. Shareholders are entitled to receive NT\$0.5 per share.

Please refer to Note 6(22) for information on the accrual basis and the amounts recognized for compensation to employees and remuneration to directors.

D. Non-controlling interests (NCI)

	Three Months Ended March 31	
	2020	2019
Beginning balance	\$ 106,567	\$ 119,211
Net income (loss) attributable to NCI	559	(2,426)
Other comprehensive income attributable to NCI:		
Exchange differences arising on translation of foreign operations	(93)	169
Ending balance	\$ 107,033	\$ 116,954

(19) Revenue

	Three Months Ended March 31	
	2020	2019
Revenue from sale of goods	\$ 1,614,049	\$ 1,372,701

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

(Reviewed, not Audited)

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

A. Contract balance:

	March 31, 2020	December 31, 2019	March 31, 2019	December 31, 2018
Contract liabilities - current				
Sale of goods	\$ 1,347	\$ 1,084	\$ 1,841	\$ 2,372

Beginning balance of contract liabilities reclassified to revenue amounted to NT\$1,065 thousand and NT\$2,311 thousand for the three months ended March 31, 2020 and 2019, respectively.

(20) Expected credit impairment (gain) loss

	Three Months Ended March 31	
	2020	2019
Operating expenses – Expected credit impairment (gain) loss		
Accounts receivable	\$ (595)	\$ 114

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 March 31, 2020 and 2019 was as follows:

March 31, 2020

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 2,889,601	\$ 109,590	\$ 6,916	\$ 31,336	\$ 3,037,443
Loss ratio	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	18,605	5,507	1,383	29,698	55,193
Subtotal	\$ 2,870,996	\$ 104,083	\$ 5,533	\$ 1,638	\$ 2,982,250

December 31, 2019

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 3,254,330	\$ 87,768	\$ 24,357	\$ 29,883	\$ 3,396,338
Loss ratio	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	20,813	3,804	4,871	26,680	56,168
Subtotal	\$ 3,233,517	\$ 83,964	\$ 19,486	\$ 3,203	\$ 3,340,170

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

(Reviewed, not Audited)

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

March 31, 2019

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 3,296,124	\$ 278,629	\$ 42,817	\$ 78,745	\$ 3,696,315
Loss ratio	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	10,964	16,994	10,292	40,472	78,722
Subtotal	\$ 3,285,160	\$ 261,635	\$ 32,525	\$ 38,273	\$ 3,617,593

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

The movements in the loss allowance for receivables in the three months ended March 31, 2020 and 2019 were as follows:

	Receivables
Balance as of January 1, 2020	\$ 56,168
Reversal in the current period	(595)
Write off	-
Effect of exchange rate changes	(380)
Balance as of March 31, 2020	\$ 55,193

	Receivables
Balance as of January 1, 2019	\$ 77,758
Additions	114
Write off	(109)
Effect of exchange rate changes	959
Balance as of March 31, 2019	\$ 78,722

(21) Leases

The Group leased various assets, including property (land and buildings) and transportation equipment. The lease terms of those contracts ranged between 2 to 50 years.

The effects of leases on the financial status, financial performance and cash flows of the Group were as follows:

A. Amounts recognized in the balance sheets

(a) Right-of-use assets

The carrying amount of right-of-use assets

	March 31, 2020	December 31, 2019	March 31, 2019
Land	\$ 355,629	\$ 355,924	\$ 389,444
Buildings	4,725	6,081	10,486
Transportation equipment	15,299	17,439	16,252
Total	\$ 375,653	\$ 379,444	\$ 416,182

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

(Reviewed, not Audited)

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

The Group's right-of-use assets increased by NT\$0 thousand and NT\$5,217 thousand for the three months ended March 31, 2020 and 2019, respectively.

(b) Lease liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
Current	\$ 14,536	\$ 15,744	\$ 15,935
Non-current	252,351	252,171	257,994
Lease liabilities	\$ 266,887	\$ 267,915	\$ 273,929

Please refer to Note 6(23)C Finance costs for details on interest expenses of lease liabilities for the three months ended March 31, 2020 and 2019, and Note 12(5) Liquidity risk management for a maturity analysis on lease liabilities as of March 31, 2020 and 2019.

B. Amounts recognized in the statements of comprehensive income

Depreciation of right-of-use assets

	Three Months Ended March 31	
	2020	2019
Land	\$ 2,107	\$ 2,276
Buildings	1,311	1,374
Transportation equipment	2,079	1,905
Total	\$ 5,497	\$ 5,555

C. Lessee's income and expenses associated with leasing activities

	Three Months Ended March 31	
	2020	2019
Expense of short-term leases	\$ 3,709	\$ 4,358
Expense of leases of low value assets (excluding short-term leases of low value assets)	219	248

D. Lessee's cash outflows associated with leasing activities

The Group's cash outflows from leases amounted to NT\$4,328 thousand and NT\$3,867 thousand for the three months ended March 31, 2020 and 2019, respectively.

E. Other information associated with leasing activities

Options to extend or terminate the lease

Some of the Group's property leases contain options to extend or terminate the leases. When determining the lease term, it shall be the non-cancellable period where the lessee has the right to use the underlying asset, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease where the Group is reasonably certain not to exercise that option. The use of those options can maximize the flexibility in managing the contracts. The majority of options to extend or terminate the leases can only be exercised by the Group. The Group would reassess the lease periods when a significant event or a significant change in circumstances occurs (that is within the control of the

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

(Reviewed, not Audited)

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

lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term) after the commencement date.

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

Function Nature	Three Months Ended March 31					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	87,937	73,631	161,568	70,172	72,179	142,351
Labor and health insurance	9,890	6,884	16,774	10,749	7,572	18,321
Pension	5,109	3,755	8,864	5,227	3,788	9,015
Remuneration to directors	-	1,963	1,963	-	-	-
Other employee benefits expense	8,589	6,517	15,106	9,818	5,243	15,061
Depreciation	66,918	6,133	73,051	76,032	7,063	83,095
Amortization	1,273	3,653	4,926	2,396	3,929	6,325

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 at least 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.

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.

Based on profitability, the compensation to employees and remuneration to directors accrued for the three months ended March 31, 2020 and 2019 were as follows:

	Three Months Ended March 31	
	2020	2019
Compensation to employees	\$ 6,815	\$ -
Remuneration to directors	1,864	-

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

(Reviewed, not Audited)

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

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 2019 compensation to employees and remuneration to directors resolved in the Board of Directors' meeting on January 10, 2020 and 2018 compensation to employees and remuneration to directors reported in the shareholders' meeting on May 29, 2019 was as follows:

	Years Ended December 31	
	2019	2018
Compensation to employees	\$ 64,632	\$ 72,535
Remuneration to directors	17,673	19,834

The above-mentioned 2018 compensation to employees and remuneration to directors reported in the shareholders' meeting were not significantly different from the amounts resolved in the Board of Directors' meeting on January 18, 2019 and the amounts recognized as expenses in the financial statements.

(23) Non-operating income and expenses

A. Other income

	Three Months Ended March 31	
	2020	2019
Interest income	\$ 2,569	\$ 3,499
Other income	7,800	59,464
Total	\$ 10,369	\$ 62,963

B. Other gains and losses

	Three Months Ended March 31	
	2020	2019
Loss on disposal of property, plant and equipment	\$ -	\$ (417)
Foreign exchange (loss) gain, net	(12,272)	62,408
Impairment loss for non-financial assets	-	(45,648)
Loss of financial assets (liabilities) at fair value through profit or loss, net	(14,541)	(17,618)
Other losses	(725)	(641)
Total	\$ (27,538)	\$ (1,916)

C. Finance costs

	Three Months Ended March 31	
	2020	2019
Interest on bank borrowings	\$ (3,477)	\$ (3,569)
Interest on lease liabilities	(1,205)	(1,311)
Total	\$ (4,682)	\$ (4,880)

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

(Reviewed, not Audited)

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

D. Components of other comprehensive income

For the three months ended March 31, 2020:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	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	\$ (32,279)	\$ —	\$ (32,279)	\$ 6,456	\$ (25,823)

For the three months ended March 31, 2019:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	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	\$ 52,204	\$ —	\$ 52,204	\$ (10,441)	\$ 41,763

(24) Income tax

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

Income tax recognized in profit or loss

	Three Months Ended March 31	
	2020	2019
Current income tax expense:		
Current income tax expense	\$ 38,724	\$ 45,502
Income tax adjustments on prior years	646	348
Separate taxation for repatriated offshore funds	11,411	-
Effect of exchange rate changes	4	(45)
Deferred income tax expense:		
Deferred income tax expense relating to origination and reversal of temporary differences	(33,851)	(33,958)
Income tax expense	\$ 16,934	\$ 11,847

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

(Reviewed, not Audited)

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

Income tax recognized in other comprehensive income

	Three Months Ended March 31	
	2020	2019
Deferred income tax benefit (expense):		
Exchange differences arising on translation of foreign operations	\$ 6,456	\$ (10,441)
Income tax benefit (expense) relating to components of other comprehensive income	<u>\$ 6,456</u>	<u>\$ (10,441)</u>

B. The assessment of income tax returns:

As of March 31, 2020, assessment of the Group's income tax returns in ROC was as follows:

	Assessment of Income Tax Returns
The Company	Assessed and approved up to 2018
Subsidiary – Koatech Technology Corporation	Assessed and approved up to 2017

(25) Earnings per share (EPS)

	Three Months Ended March 31, 2020		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic earnings per share</u>			
Net income attributable to common shareholders of the Company	\$ 83,549	209,120	<u>\$ 0.40</u>
<u>Diluted earnings per share</u>			
Effect of dilutive potential common stocks			
Employee compensation – stock	-	163	
Net income attributable to common shareholders of the Company and effect of potential common stocks	<u>\$ 83,549</u>	<u>209,283</u>	<u>\$ 0.40</u>

	Three Months Ended March 31, 2019		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic earnings per share</u>			
Net loss attributable to common shareholders of the Company	\$ (7,165)	209,120	<u>\$ (0.03)</u>
<u>Diluted earnings per share</u>			
Effect of dilutive potential common stocks			
Employee compensation – stock	-	-	
Net income attributable to common shareholders of the Company and effect of potential common stocks	<u>\$ (7,165)</u>	<u>209,120</u>	<u>\$ (0.03)</u>

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

(Reviewed, not Audited)

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

7. Related Party Transactions

(1) Compensation to key management

	Three Months Ended March 31	
	2020	2019
Short-term employee benefits	\$ 16,507	\$ 20,669
Post-employment benefits	149	149
Total	\$ 16,656	\$ 20,818

8. Pledged Assets

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

	Carrying Amount			Purpose of Pledge
	March 31, 2020	December 31, 2019	March 31, 2019	
Time deposits (Note)	\$ 20,031	\$ 20,031	\$ 20,413	Customs guarantee
Land	100,843	100,843	100,843	Long-term loans
Buildings	95,446	96,750	99,460	Letter of credit, short-term credit facilities and long-term loans
Machinery and equipment	-	-	12,100	Long-term loans
Total	\$ 216,320	\$ 217,624	\$ 232,816	

Note: These 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 March 31, 2020 were as follows:

	L/C Balance
NTD	NT\$ 1,743 thousand
JPY	JPY 35,230 thousand
USD	US\$ 5,450 thousand
EUR	EUR 561 thousand

10. Significant Disaster Loss

None.

11. Significant Subsequent Events

None.

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

12. Others

(1) Categories of financial instruments

Financial assets

	March 31, 2020	December 31, 2019	March 31, 2019
Financial assets at fair value through profit or loss:			
Mandatorily at fair value through profit or loss	\$ 27,560	\$ 38,131	\$ 25,106
Financial assets at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	2,499,317	2,583,819	1,618,242
Financial assets at amortized cost	231,189	49,000	-
Receivables	3,028,645	3,367,646	3,676,459
Other financial assets - current	20,031	20,031	20,413

Financial liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
Financial liabilities at fair value through profit or loss:			
Held for trading	\$ 267	\$ 344	\$ 8,068
Financial liabilities at amortized cost:			
Short-term loans	520,000	740,000	772,337
Payables	1,641,564	1,389,254	1,889,792
Long-term loans (including current portion)	863,370	934,565	253,131
Lease liabilities	266,887	267,915	273,929

(2) Objectives and policies 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.

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.

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

(Reviewed, not Audited)

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

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 foreign exchange 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 foreign exchange 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 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 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 at fair value through profit or loss could cause the profit or loss for the three months ended March 31, 2020 and 2019 to increase/decrease by NT\$1,184 thousand and NT\$1,218 thousand, respectively.

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

For the three months ended March 31, 2020

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ 9,723 thousand
	NTD/CNY appreciate/depreciate by 1%	-/+ 1,978 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- 1,347 thousand

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

(Reviewed, not Audited)

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

For the three months ended March 31, 2019

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ 9,050 thousand
	NTD/CNY appreciate/depreciate by 1%	-/+ 1,553 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- 594 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 accounts and notes receivable) and financing activities (primarily 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 and rating from credit rating agencies, past experience, current economic environment, the Group's internal rating criteria, etc. The Group also uses some credit enhancement tools, such as prepayments or insurances, to reduce the credit risk of certain customers.

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 also 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.

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
<u>March 31, 2020</u>					
Borrowings	\$ 520,248	\$ 525,000	\$ 338,370	\$ -	\$ 1,383,618
Payables	1,641,564	-	-	-	1,641,564
Lease liabilities	14,536	18,556	9,863	223,932	266,887
<u>December 31, 2019</u>					
Borrowings	\$ 751,699	\$ 698,556	\$ 225,000	\$ -	\$ 1,675,255
Payables	1,389,254	-	-	-	1,389,254
Lease liabilities	15,744	20,167	10,069	221,935	267,915

(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)

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>March 31, 2019</u>					
Borrowings	\$ 783,742	\$ 241,916	\$ -	\$ -	\$ 1,025,658
Payables	1,889,792	-	-	-	1,889,792
Lease liabilities	15,935	21,364	11,282	225,348	273,929

(Concluded)

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>March 31, 2020</u>					
Inflows	\$ -	\$ -	\$ -	\$ -	\$ -
Outflows	-	-	-	-	-
Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2019</u>					
Inflows	\$ 809,783	\$ -	\$ -	\$ -	\$ 809,783
Outflows	812,127	-	-	-	812,127
Net	<u>\$ (2,344)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,344)</u>
<u>March 31, 2019</u>					
Inflows	\$ 749,852	\$ -	\$ -	\$ -	\$ 749,852
Outflows	760,481	-	-	-	760,481
Net	<u>\$ (10,629)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,629)</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 three months ended March 31, 2020:

	Short-term Loan	Long-term Loan	Lease Liabilities	Guarantee Deposits Received	Total Liabilities from Financing Activities
As of January 1, 2020	\$ 740,000	\$ 934,565	\$ 267,915	\$ 216,029	\$ 2,158,509
Cash flows	(220,000)	(71,195)	(4,328)	(2,926)	(298,449)
Non-cash movement	-	-	3,300	-	3,300
As of March 31, 2020	<u>\$ 520,000</u>	<u>\$ 863,370</u>	<u>\$ 266,887</u>	<u>\$ 213,103</u>	<u>\$ 1,863,360</u>

Reconciliation of liabilities for the three months ended March 31, 2019:

	Short-term Loan	Long-term Loan	Lease Liabilities	Guarantee Deposits Received	Total Liabilities from Financing Activities
As of January 1, 2019	\$1,362,054	\$ 341,932	\$ 2,443	\$ 255	\$ 1,706,684
Cash flows	(589,717)	(88,801)	(3,867)	-	(682,385)
Non-cash movement	-	-	275,353	-	275,353
As of March 31, 2019	<u>\$ 772,337</u>	<u>\$ 253,131</u>	<u>\$ 273,929</u>	<u>\$ 255</u>	<u>\$ 1,299,652</u>

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

(Reviewed, not Audited)

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

(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 prices (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 March 31, 2020, December 31, 2019 and March 31, 2019, 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 dates were listed as follows:

Currency	Contract Period	Contract Amount (in thousands)
<u>March 31, 2020</u>		
Sell CNY/Buy NTD	2019.12~2020.07	CNY 102,000/NT\$ 435,947
Sell USD/Buy NTD	2020.02~2020.06	US\$ 9,000/NT\$ 271,666
<u>December 31, 2019</u>		
Sell CNY/Buy NTD	2019.10~2020.04	CNY 102,000/NT\$ 437,360
Sell USD/Buy NTD	2019.11~2020.02	US\$ 11,000/NT\$ 331,379
<u>March 31, 2019</u>		
Sell CNY/Buy USD	2018.08~2019.07	CNY 29,281/US\$ 4,300
Sell CNY/Buy NTD	2018.12~2019.08	CNY 72,000/NT\$ 322,875
Sell USD/Buy NTD	2019.01~2019.06	US\$ 9,000/NT\$ 275,908

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

Currency	Contract Period	Contract Amount (in thousands)
<u>March 31, 2020</u>		
Sell CNY/Buy NTD	2019.12~2020.05	CNY 9,600/NT\$ 40,962

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

(Reviewed, not Audited)

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

Currency	Contract Period	Contract Amount (in thousands)	
<u>December 31, 2019</u>			
Sell CNY/Buy NTD	2019.09~2020.04	CNY	9,600/NT\$ 41,044
<u>March 31, 2019</u>			
Sell CNY/Buy NTD	2018.12~2019.05	CNY	4,200/NT\$ 18,569

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

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 a recurring basis was disclosed as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>March 31, 2020</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ 3,696	\$ —	\$ 3,696
Foreign exchange swap contracts	—	184	—	184
Stocks	23,680	—	—	23,680
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	—	267	—	267

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

	Level 1	Level 2	Level 3	Total
<u>December 31, 2019</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ 3,150	\$ —	\$ 3,150
Stocks	34,981	—	—	34,981
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	—	278	—	278
Foreign exchange swap contracts	—	66	—	66
<u>March 31, 2019</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ 738	\$ —	\$ 738
Stocks	24,368	—	—	24,368
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	—	7,441	—	7,441
Foreign exchange swap contracts	—	627	—	627

For the three months ended March 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value hierarchy.

(10) Significant financial assets and liabilities denominated in foreign currencies

Information on significant financial assets and liabilities denominated in foreign currencies was listed below:

	March 31, 2020			December 31, 2019		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 59,071	30.236	\$ 1,786,071	\$ 76,464	30.047	\$ 2,297,500
CNY	46,427	4.2570	197,640	58,552	4.3155	252,681
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 26,919	30.236	\$ 813,923	\$ 15,014	30.047	\$ 451,124
JPY	200,476	0.2787	55,873	211,599	0.2764	58,486

(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)

	March 31, 2019		
	Foreign Currencies (in thousands)	Exchange Rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 63,687	30.8140	\$ 1,962,451
CNY	34,031	4.5805	155,879
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 34,314	30.8140	\$ 1,057,352
JPY	134,505	0.2782	37,419

(Concluded)

The data above was disclosed based on the carrying amounts in foreign currencies (already translated to functional currencies).

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. For the three months ended March 31, 2020 and 2019, the Group's foreign exchange (loss) gain amounted to NT\$(12,272) thousand and NT\$62,408 thousand, 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 March 31, 2020 (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 three months ended March 31, 2020: 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 three months ended March 31, 2020: 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 three months ended March 31, 2020: None.

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

(Reviewed, not Audited)

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

- 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 three months ended March 31, 2020: 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 March 31, 2020: Please refer to Table 5.
- I. Direct or indirect significant influence or control over the investees for the three months ended March 31, 2020 (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 three months ended March 31, 2020: Please refer to Table 8.

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

(3) Information on major shareholders: Please refer to Table 9.

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:

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 March 31, 2020

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 995,666	\$ 618,383	\$ —	\$ 1,614,049
Inter-segment	546,749	25,525	(572,274)	—
Total revenue	<u>\$ 1,542,415</u>	<u>\$ 643,908</u>	<u>\$ (572,274)</u>	<u>\$ 1,614,049</u>
Segment income (loss) (before income tax)	<u>\$ 82,809</u>	<u>\$ 13,469</u>	<u>\$ 4,764</u>	<u>\$ 101,042</u>

Note: Inter-segment revenues were eliminated upon consolidation.

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

(Reviewed, not Audited)

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

For the three months ended March 31, 2019

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 825,233	\$ 547,468	\$ —	\$ 1,372,701
Inter-segment	475,879	30,019	(505,898)	—
Total revenue	<u>\$ 1,301,112</u>	<u>\$ 577,487</u>	<u>\$ (505,898)</u>	<u>\$ 1,372,701</u>
Segment income (loss) (before income tax)	<u>\$ (15,076)</u>	<u>\$ (166,578)</u>	<u>\$ 183,910</u>	<u>\$ 2,256</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 Limit for Individual Borrower	Limit on Total Financing Amount	Note
													Item	Value			
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	\$ 242,200	\$ 241,888	\$ -	1.70%~4.00%	2	—	Operating capital	—	—	—	\$ 1,460,774	\$ 2,921,547	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	423,850	423,304	151,180	1.70%~4.00%	2	—	Operating capital	—	—	—	1,460,774	2,921,547	(Note 7)
1	Taiflex Scientific (Kunshan) Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	258,750	255,420	-	0%	2	—	Operating capital	—	—	—	739,887	739,887	(Note 9)
1	Taiflex Scientific (Kunshan) Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	431,250	425,700	297,990	0%	2	—	Operating capital	—	—	—	739,887	739,887	(Note 9)

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 three months ended March 31, 2020.

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 purchase or sales 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, either directly or indirectly, by the Company shall not exceed 20% of the Company's net worth.

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

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 drawdown 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 drawdowns 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 A Single Entity (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	Relationship (Note 2)										
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	2	3,651,934	469,263	468,658	51,988	—	6.42%	\$ 3,651,934	Y	N	Y
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	2	3,651,934	730,529	604,766	—	—	8.28%		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 relationships 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, either directly or indirectly, by the Company.

Note 4: The maximum endorsement/guarantee balance for the three months ended March 31, 2020.

Note 5: This refers to 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 MARCH 31, 2020 (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 Issuer (Note 2)	Financial Statement Account	March 31, 2020				Note
					Shares (In Thousands)	Carrying Amount (Note 3)	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	\$ 23,680	0.03%	\$ 23,680	—

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.

Note 3: If measured at fair value, please fill in the carrying amount after valuation adjustment of fair value and net of accumulated impairment. If not measured at fair value, please fill in the original cost or the carrying value of amortized cost, net of accumulated impairment.

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	Relationships	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note
			Sales (Purchases)	Amount	Percentage to Total Sales (Purchases)	Credit/ Payment Terms	Unit Price	Credit/ Payment Terms	Ending Balance	Percentage to Total Notes/ Accounts Receivable (Payable)	
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	\$ 541,579	33.55%	180 days from end of month	—	—	\$ 1,180,225	49.72%	—
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	541,579	80.99%	180 days from end of month	—	—	(1,180,225)	(93.02%)	—

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	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	\$ 1,180,225	1.93	—	—	\$ 173,136	—	—
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	66,958	(Note 1)	—	—	6,249	—	—

Note 1: Those receivables from related parties are recognized as other receivables; thus, turnover ratio analysis does not apply.

TABLE 6: INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE OR CONTROL DIRECTLY OR INDIRECTLY (EXCLUDING INVESTEEES IN MAINLAND CHINA)

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2020			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				March 31, 2020	December 31, 2019	Shares (In Thousands)	Shareholding Percentage	Carrying Value			
Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	Belize	Investment holding	\$ 704,536	\$ 704,536	21,825	100.00%	\$ 779,593	\$ (19,555)	\$ (19,555)	—
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	870	32	32	—
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	294,102	294,102	13,700	53.86%	212,106	1,211	(772)	(Note 2)
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	102,894	102,894	3,972	15.07%	34,085	(14,193)	(2,139)	—
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	457,764	4,507	4,507	(Note 1)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	1,062,808	927,740	35,000	69.29%	1,109,948	14,577	10,062	—
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	17,838	(49)	(49)	—
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	8,820	1	100.00%	9,131	(440)	(440)	—
Taiflex Scientific Co., Ltd.	Geckos Technology Corp.	Taiwan	Manufacturing and selling of electronic materials	16,182	16,182	1,562	31.24%	11,799	(4,470)	(1,453)	—
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	30.71%	491,866	14,577	4,515	—
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	739,978	(5,188)	(5,188)	—
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	28,649	28,649	960	100.00%	15,080	219	219	—
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	28,500	28,500	955	100.00%	14,560	219	219	—

Note 1: Including unrealized gain/loss between affiliates.

Note 2: Including amortization of property, plant and equipment.

TABLE 7: INFORMATION ON INVESTMENTS IN MAINLAND CHINA

(In Thousands of New Taiwan Dollars)

Investor	Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflows of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflows of Investment from Taiwan as of March 31, 2020	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of March 31, 2020	Accumulated Inward Remittances of Earnings as of March 31, 2020
						Outflow	Inflow						
Taiflex Scientific Co., Ltd.	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	\$ (5,188)	100.00%	\$ (5,188)	\$ 739,887	—
	Rudong Fuzhan Scientific Co., Ltd.	Manufacturing and selling of electronic materials	\$1,062,808 (US\$35,000,000)	2	927,740	\$135,068	—	1,062,808	(5,678)	100.00%	(5,678)	1,040,224	—
	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	20,273	100.00%	20,273	561,509	—
Koatech Technology Corporation	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	219	53.86%	118	7,835	—
Accumulated Outflows of Investment from Taiwan to Mainland China as of March 31, 2020					Investment Amounts Authorized by the Investment Commission, MOEA				Upper Limit on Investment				
Taiflex Scientific Co., Ltd.					\$ 2,309,109				\$ 2,326,872				(Note 3)
Koatech Technology Corporation					\$ 28,351				\$ 40,318				(Note 4) \$139,185

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, either directly or indirectly through the third area, and the relevant prices, payment terms and unrealized gains and losses:

- (1) Purchase and ending balance of related payables and their weightings: see Table 4.
- (2) Sales and 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 Company received official documents issued by the Industrial Development Bureau, Ministry of Economic Affairs certifying the Company being qualified for operating headquarters in May 2019. Thus, the limit stipulated in the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China" does not apply.

Note 4: The upper limit on investment is calculated as follows:

Koatech Technology Corporation: NT\$231,975 thousand × 60% = NT\$139,185 thousand

TABLE 8: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE THREE MONTHS ENDED MARCH 31, 2020

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	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.	Shenzhen Taiflex Electronic Co., Ltd.	1	Sales revenue	541,579	General trading terms	33.55%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	1,180,225	General trading terms	10.37%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Other receivables	66,958	General trading terms	0.59%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Other receivables	151,180	Financing	1.33%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Purchase on behalf of others	43,485	—	0.38%

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 categorized 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.

TABLE 9: INFORMATION ON MAJOR SHAREHOLDERS

(In Thousands of Shares)

Share	No. of Shares	Shareholding %
Name of Major Shareholders		
Qiao Mei Development Corporation	15,714	7.51%
Chang Wah Electromaterials Inc.	15,444	7.38%
BaoJie Funds in custody of Standard Chartered Bank Main Branch	12,270	5.86%

Note 1: Major shareholders in the Table above are shareholders owning 5% or more of the Company's common and preferred stocks (only ones that have completed dematerialized registration and delivery, and include treasury stocks) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. The amount of capital in the financial statements may differ from the Company's actual number of stocks that have completed dematerialized registration and delivery due to different calculation bases.

Note 2: Where the stocks are entrusted by shareholders, information is disclosed by the individual account of settlor who has segregated trust accounts opened by trustees. As for shareholders filing shareholdings of insiders with 10% or more of the Company's stocks pursuant to the securities and exchange laws and regulations, the number of stocks owned shall be ones owned by the persons plus ones entrusted where the shareholders have the power to decide how to utilize the trust property. Please access the Market Observation Post System website for information on insiders' shareholding filings.