

**TAIFLEX SCIENTIFIC COMPANY LIMITED**  
**AND SUBSIDIARIES**

**Consolidated Financial Statements for the**  
**Six Months Ended June 30, 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	9-11
(4) Summary of Significant Accounting Policies	11-15
(5) Significant Accounting Judgments and Major Sources of Estimation Uncertainty	15
(6) Details of Significant Accounts	15-34
(7) Related Party Transactions	34-35
(8) Pledged Assets	35
(9) Significant Contingent Liabilities and Unrecognized Contract Commitments	35
(10) Significant Disaster Loss	35
(11) Significant Subsequent Events	35
(12) Others	36-43
(13) Additional Disclosures	
A. Information on Significant Transactions and Investees	43-44, 46-50,52
B. Information on Investments in Mainland China	44,51
C. Information on Major Shareholders	44,53
(14) Operating Segment	44-45

## **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 June 30, 2020 and 2019; the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the six months then ended, and the 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 June 30, 2020 and 2019, its consolidated financial performance for the three months and six months ended June 30, 2020 and 2019 and its consolidated cash flows for the six months 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

July 30, 2020

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
June 30, 2020, December 31, 2019 and June 30, 2019  
(Numbers as of June 30, 2020 and 2019 Are Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

Assets	Notes	June 30, 2020	December 31, 2019	June 30, 2019
<b>Current assets</b>				
Cash and cash equivalents	4, 6(1)	\$ 2,693,368	\$ 2,584,521	\$ 1,817,017
Financial assets at fair value through profit or loss - current	4, 6(2)	39,042	38,131	27,431
Financial assets at amortized cost - current	4, 6(3)	215,332	49,000	-
Notes receivable, net	4, 6(4)	562,003	748,651	1,078,133
Accounts receivable, net	4, 6(5)	2,545,875	2,591,519	2,712,357
Other receivables	7	31,508	27,476	163,510
Inventories, net	4, 6(6)	1,120,874	938,566	1,765,951
Prepayments		150,037	127,932	113,779
Non-current assets held for sale	4, 6(7)	459,948	473,439	-
Other current assets	8	22,326	22,658	28,544
Total current assets		<u>7,840,313</u>	<u>7,601,893</u>	<u>7,706,722</u>
<b>Non-current assets</b>				
Financial assets at fair value through other comprehensive income - non-current	4, 6(8)	-	-	-
Investments accounted for under the equity method	4, 6(9)	47,765	49,470	54,694
Property, plant and equipment	4, 6(10)	3,132,765	2,993,090	3,143,620
Right-of-use assets	4, 6(21)	376,162	379,444	409,262
Intangible assets	4, 6(11,13)	123,752	127,107	113,657
Deferred income tax assets	4, 6(24)	223,794	205,308	178,069
Other non-current assets	4, 6(12)	26,688	17,669	27,889
Total non-current assets		<u>3,930,926</u>	<u>3,772,088</u>	<u>3,927,191</u>
<b>Total assets</b>		<u>\$ 11,771,239</u>	<u>\$ 11,373,981</u>	<u>\$ 11,633,913</u>

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS-(Continued)  
June 30, 2020, December 31, 2019 and June 30, 2019  
(Numbers as of June 30, 2020 and 2019 Are Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	June 30, 2020	December 31, 2019	June 30, 2019
<b>Current liabilities</b>				
Short-term loans	6(14)	\$ 520,000	\$ 740,000	\$ 715,912
Financial liabilities at fair value through profit or loss - current	4, 6(15)	128	344	561
Contract liabilities - current	4, 6(19)	1,000	1,084	234
Notes payable		369	358	378
Accounts payable		1,292,829	833,240	1,221,424
Other payables	7	1,087,314	555,656	1,121,636
Current income tax liabilities	4, 6(24)	193,630	135,929	152,888
Lease liabilities - current	4, 6(21)	14,841	15,744	15,353
Current portion of long-term loans	6(16)	-	11,009	10,900
Other current liabilities		697	2,470	1,428
Total current liabilities		<u>3,110,808</u>	<u>2,295,834</u>	<u>3,240,714</u>
<b>Non-current liabilities</b>				
Long-term loans	6(16)	873,370	923,556	729,146
Deferred income tax liabilities	4, 6(24)	76,031	114,231	120,181
Lease liabilities – non-current	4, 6(21)	255,508	252,171	254,599
Net defined benefit liabilities - non-current	4, 6(17)	223,157	219,550	141,551
Other non-current liabilities	4, 12	209,880	216,029	255
Total non-current liabilities		<u>1,637,946</u>	<u>1,725,537</u>	<u>1,245,732</u>
Total liabilities		<u>4,748,754</u>	<u>4,021,371</u>	<u>4,486,446</u>
<b>Equity attributable to shareholders of the parent</b>				
Capital	6(18)			
Common stock		2,091,197	2,091,197	2,091,197
Capital surplus	6(18)	1,066,049	1,342,759	1,342,358
Retained earnings				
Legal capital reserve		939,900	882,821	882,821
Special capital reserve		230,993	166,117	166,117
Unappropriated earnings		2,871,955	2,994,142	2,697,378
Total retained earnings		<u>4,042,848</u>	<u>4,043,080</u>	<u>3,746,316</u>
Others	4	<u>(285,756)</u>	<u>(230,993)</u>	<u>(146,368)</u>
Total equity attributable to shareholders of the parent		<u>6,914,338</u>	<u>7,246,043</u>	<u>7,033,503</u>
Non-controlling interests	4, 6(18)	<u>108,147</u>	<u>106,567</u>	<u>113,964</u>
Total equity		<u>7,022,485</u>	<u>7,352,610</u>	<u>7,147,467</u>
<b>Total liabilities and equity</b>		<u>\$ 11,771,239</u>	<u>\$ 11,373,981</u>	<u>\$ 11,633,913</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 and Six Months Ended June 30, 2020 and 2019  
(Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

	Notes	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
		<u>June 30</u>		<u>June 30</u>	
		2020	2019	2020	2019
Net revenue	4, 6(19)	\$ 2,055,643	\$ 2,078,181	\$ 3,669,692	\$ 3,450,882
Cost of revenue	4, 6(6,22)	<u>(1,588,462)</u>	<u>(1,548,305)</u>	<u>(2,862,434)</u>	<u>(2,764,136)</u>
Gross profit		<u>467,181</u>	<u>529,876</u>	<u>807,258</u>	<u>686,746</u>
Operating expenses	4, 6(22)				
Sales and marketing expenses		(97,067)	(98,223)	(183,401)	(181,134)
General and administrative expenses		(75,477)	(115,703)	(141,812)	(191,549)
Research and development expenses		(67,053)	(76,191)	(128,571)	(124,903)
Expected credit gains	6(20)	3,247	456	3,842	342
Total operating expenses		<u>(236,350)</u>	<u>(289,661)</u>	<u>(449,942)</u>	<u>(497,244)</u>
Operating income		<u>230,831</u>	<u>240,215</u>	<u>357,316</u>	<u>189,502</u>
Non-operating income and expenses	6(23)				
Interest income		2,597	3,752	5,166	7,251
Other income		3,317	139,306	11,117	198,770
Other gains and losses		(18,465)	(25,334)	(46,003)	(27,250)
Finance costs		(5,356)	(3,346)	(10,038)	(8,226)
Share of profit or loss of associates accounted for under the equity method	4, 6(9)	<u>(5,775)</u>	<u>(3,927)</u>	<u>(9,367)</u>	<u>(7,125)</u>
Total non-operating income and expenses		<u>(23,682)</u>	<u>110,451</u>	<u>(49,125)</u>	<u>163,420</u>
Income before income tax		207,149	350,666	308,191	352,922
Income tax expense	4, 6(24)	<u>(38,762)</u>	<u>(72,370)</u>	<u>(55,696)</u>	<u>(84,217)</u>
Net income of continuing operations		<u>168,387</u>	<u>278,296</u>	<u>252,495</u>	<u>268,705</u>
Net income		<u>168,387</u>	<u>278,296</u>	<u>252,495</u>	<u>268,705</u>
Other comprehensive income	6(23)				
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(36,429)	(27,412)	(68,708)	24,792
Income tax benefits (expenses) related to components of other comprehensive income that may be reclassified subsequently to profit or loss		<u>7,286</u>	<u>5,482</u>	<u>13,742</u>	<u>(4,959)</u>
Total other comprehensive income, net of tax		<u>(29,143)</u>	<u>(21,930)</u>	<u>(54,966)</u>	<u>19,833</u>
Total comprehensive income		<u>\$ 139,244</u>	<u>\$ 256,366</u>	<u>\$ 197,529</u>	<u>\$ 288,538</u>
Net income attributable to:	4, 6(18,25)				
Shareholders of the parent		\$ 167,163	\$ 281,201	\$ 250,712	\$ 274,036
Non-controlling interests		<u>1,224</u>	<u>(2,905)</u>	<u>1,783</u>	<u>(5,331)</u>
		<u>\$ 168,387</u>	<u>\$ 278,296</u>	<u>\$ 252,495</u>	<u>\$ 268,705</u>
Total comprehensive income (loss) attributable to:					
Shareholders of the parent		\$ 138,130	\$ 259,356	\$ 195,949	\$ 293,785
Non-controlling interests		<u>1,114</u>	<u>(2,990)</u>	<u>1,580</u>	<u>(5,247)</u>
		<u>\$ 139,244</u>	<u>\$ 256,366</u>	<u>\$ 197,529</u>	<u>\$ 288,538</u>
Earnings per share (NT\$)	4, 6(25)				
Earnings per share - basic		\$ 0.80	\$ 1.34	\$ 1.20	\$ 1.31
Earnings per share - diluted		<u>\$ 0.80</u>	<u>\$ 1.34</u>	<u>\$ 1.20</u>	<u>\$ 1.31</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 Six Months Ended June 30, 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
Appropriation and distribution of 2018 earnings										
Legal capital reserve			67,231		(67,231)			-		-
Special capital reserve				90,571	(90,571)			-		-
Cash dividends for common stocks					(418,239)			(418,239)		(418,239)
Changes in other capital surplus										
Changes in associates accounted for under the equity method		279						279		279
Cash dividends from capital surplus		(104,560)						(104,560)		(104,560)
Net income for the six months ended June 30, 2019					274,036			274,036	(5,331)	268,705
Other comprehensive income for the six months ended June 30, 2019						19,749		19,749	84	19,833
Total comprehensive income	-	-	-	-	274,036	19,749	-	293,785	(5,247)	288,538
Balance as of June 30, 2019	<u>\$ 2,091,197</u>	<u>\$ 1,342,358</u>	<u>\$ 882,821</u>	<u>\$ 166,117</u>	<u>\$ 2,697,378</u>	<u>\$ (139,768)</u>	<u>\$ (6,600)</u>	<u>\$ 7,033,503</u>	<u>\$ 113,964</u>	<u>\$ 7,147,467</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
Appropriation and distribution of 2019 earnings										
Legal capital reserve			57,079		(57,079)			-		-
Special capital reserve				64,876	(64,876)			-		-
Cash dividends for common stocks					(250,944)			(250,944)		(250,944)
Changes in other capital surplus										
Changes in associates accounted for under the equity method		(4,855)						(4,855)		(4,855)
Cash dividends from capital surplus		(271,855)						(271,855)		(271,855)
Net income for the six months ended June 30, 2020					250,712			250,712	1,783	252,495
Other comprehensive income for the six months ended June 30, 2020						(54,763)		(54,763)	(203)	(54,966)
Total comprehensive income	-	-	-	-	250,712	(54,763)	-	195,949	1,580	197,529
Balance as of June 30, 2020	<u>\$ 2,091,197</u>	<u>\$ 1,066,049</u>	<u>\$ 939,900</u>	<u>\$ 230,993</u>	<u>\$ 2,871,955</u>	<u>\$ (279,156)</u>	<u>\$ (6,600)</u>	<u>\$ 6,914,338</u>	<u>\$ 108,147</u>	<u>\$ 7,022,485</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 Six Months Ended June 30, 2020 and 2019  
(Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2020	2019
Cash flows from operating activities:		
Income before income tax	\$ 308,191	\$ 352,922
Adjustments:		
Non-cash income and expense items:		
Depreciation	148,222	165,092
Amortization	9,989	13,509
Expected credit gains	(3,842)	(342)
Net (gain) loss on financial assets (liabilities) at fair value through profit or loss	(5,601)	14,944
Interest expense	10,038	8,226
Interest income	(5,166)	(7,251)
Share of loss of associates accounted for under the equity method	9,367	7,125
(Gain) loss on disposal of property, plant and equipment	(15)	28,950
Impairment loss for non-financial assets	-	18,352
Others	13,514	5,475
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets mandatorily at fair value through profit or loss	4,474	(8,032)
Decrease in notes receivable	186,648	139,886
Decrease in accounts receivable	50,445	965,472
Increase in other receivables	(4,268)	(110,324)
Increase in inventories	(195,575)	(307,433)
Increase in prepayments	(35,439)	(31,162)
Decrease (increase) in other current assets	332	(3,132)
(Increase) decrease in other non-current assets	(1,334)	1,856
Decrease in contract liabilities	(84)	(2,138)
Increase (decrease) in notes payable	11	(65,394)
Increase (decrease) in accounts payable	459,589	(451,325)
Increase (decrease) in other payables	32,993	(63,923)
Decrease in other current liabilities	(1,773)	(4,634)
Increase in net defined benefit liabilities	3,607	3,128
Cash generated from operations	<u>984,323</u>	<u>669,847</u>
Interest received	5,402	8,670
Interest paid	(7,690)	(8,286)
Income tax paid	<u>(27,605)</u>	<u>(162,388)</u>
Net cash generated by operating activities	<u>954,430</u>	<u>507,843</u>

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

(Continued)



TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)  
For the Six Months Ended June 30, 2020 and 2019  
(Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2020	2019
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	\$ (166,332)	\$ -
Acquisition of investments accounted for under the equity method	(12,517)	(10,000)
Acquisition of property, plant and equipment	(316,723)	(314,825)
Disposal of property, plant and equipment	15	18,930
Increase in refundable deposits	(8,396)	-
Decrease in refundable deposits	-	766
Acquisition of intangible assets	(5,917)	(7,597)
Net cash used in investing activities	<u>(509,870)</u>	<u>(312,726)</u>
Cash flows from financing activities:		
Decrease in short-term loans	(220,000)	(646,142)
Increase in long-term loans	-	398,114
Repayment of long-term loans	(61,195)	-
Decrease in guarantee deposits received	(6,149)	-
Repayment of lease principal	(12,041)	(8,254)
Net cash used in financing activities	<u>(299,385)</u>	<u>(256,282)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(36,328)</u>	<u>15,596</u>
Net increase (decrease) in cash and cash equivalents	108,847	(45,569)
Cash and cash equivalents at beginning of period	<u>2,584,521</u>	<u>1,862,586</u>
Cash and cash equivalents at end of period	<u>\$ 2,693,368</u>	<u>\$ 1,817,017</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 Six Months Ended June 30, 2020 and 2019 and the Year Ended December 31, 2019

(Numbers for the Six Months Ended June 30, 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 six months ended June 30, 2020 and 2019 were approved and authorized for issue in the Board of Directors’ meeting on July 30, 2020.

3. Newly Issued or Revised Standards and Interpretations

(1) Changes in accounting policies due to first-time adoption of International Financial Reporting Standards

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. Except for explanations on the nature and impact of the newly issued or revised standards and interpretations below, the first-time adoption of other standards and interpretations does not have any material impact on the Group.

The Group elects for early adoption of amendments to IFRS 16 “COVID-19-related Rent Concessions” endorsed by the FSC from annual periods beginning on January 1, 2020 and proceeds in accordance with the transitional provisions of the amended standard. For rent concessions as a direct consequence of COVID-19, the Group chooses not to assess whether they are lease modifications and accounts for them as changes in lease payments. Please refer to Note 6 for disclosures associated with lessees under the amendments.

(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 International Accounting Standards Board (IASB) but not yet endorsed by FSC:

No.	Projects of New or Amended Standards or Interpretations	Effective Date
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 17	Insurance Contracts	January 1, 2023
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS 3, IAS 16 and IAS 37	Narrow-scope Amendments to IFRSs and Annual Improvements	January 1, 2022

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

(Reviewed, not Audited)

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

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 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.

- C. Narrow-scope Amendments to IFRSs, Including Amendments to IFRS 3, IAS 16 and IAS 37, and Annual Improvements

- (a) Updating the reference to the conceptual framework (Amendments to IFRS 3)

The amendments replace the old reference to the conceptual framework of financial reporting and update IFRS 3 with the latest reference published in March 2018. In addition, an exception is added to the recognition principle to avoid the possible "day 2" gains or losses from liabilities and contingent liabilities. The amendments also clarify the existing guidance of contingent assets not affected by the replaced reference to the conceptual framework.

- (b) Property, plant and equipment: Proceeds before intended use (Amendments to IAS 16)

The amendments ban companies against deducting sales proceeds of items produced before assets are ready for their intended use from the cost of property, plant and equipment. Instead, the proceeds and relevant costs shall be recognized in profit or loss.

- (c) Onerous contracts – Cost of fulfilling a contract (Amendments to IAS 37)

The amendments clarify costs to be included when assessing whether a contract is onerous.

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) Annual improvements to IFRSs 2018-2020 cycle

Amendments to IFRS 1

The amendments simplify the adoption of IFRS 1 concerning measurement of cumulative translation differences for a subsidiary that adopts IFRSs for the first time later than its parent company.

Amendments to IFRS 9 “Financial Instruments”

The amendments clarify fees included when companies assess whether new or amended contract clauses of financial liabilities are significantly different from the original financial liabilities.

Amendments to illustrative examples of IFRS 16 “Leases”

This is to amend lease incentives associated with leasehold improvement of lessees in illustrative example 13.

Amendments to IAS 41

The amendments remove the requirement to exclude cash flows from taxation when measuring fair value in order for the fair value measurement requirements in IAS 41 to be consistent with relevant requirements in other IFRSs.

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 six months ended June 30, 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.

**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 consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Percentage of Ownership		
			2020.6.30	2019.12.31	2019.6.30
The Company	Taistar Co., Ltd. (Taistar)	Investment holding	100.00%	100.00%	100.00%
The Company	Leadmax Ltd. (Leadmax)	Trading of electronic materials	100.00%	100.00%	100.00%
The Company	Koatech Technology Corporation (Koatech)	Manufacturing and selling of electronic materials and components	53.86%	53.86%	53.86%
The Company	TFS Co., Ltd. (TFS)	Investment holding	100.00%	100.00%	100.00%
The Company	Taiflex Scientific Japan Co., Ltd. (Japan Taiflex)	Trading 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%	56.93%
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%	43.07%
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%

- (4) Except for the following accounting policies, the consolidated financial statements for the six months ended June 30, 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.

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

(Reviewed, not Audited)

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

#### Leases

On the dates the contracts are established, the Group assesses whether the contracts are (or contain) leases. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is defined as a lease or contains a lease. To assess if a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether the following two conditions are met during the period of use:

- A. Having the right to obtain substantially all of the economic benefits from the use of identified asset; and
- B. Having the right to direct the use of identified asset.

For contracts that are (or contain) leases, the Group accounts for each lease component as a lease and handles separately from the non-lease components within the contracts. For contracts that contain one lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contracts to the lease component on the basis of the relative stand-alone price of each lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone prices of lease and non-lease components are determined based on the prices that the lessor (or a similar supplier) would charge for those components (or similar components) separately. If an observable stand-alone price is not readily available, the Group would maximize the use of observable information to estimate the stand-alone price.

#### The Group being a lessee

Except for short-term leases or leases of low value assets, when the Group is a lessee to lease contracts, it recognizes right-of-use assets and lease liabilities for all leases.

On the commencement date, the Group measures lease liabilities by the present value of outstanding lease payments. If the interest rate implicit in the lease can be readily determined, lease payments would be discounted using this rate. If the rate cannot be readily determined, the Group would use the incremental borrowing rate of lessee. On the commencement date, lease payments for lease liabilities include the following outstanding payments which are related to the right to use the underlying asset during the lease term:

- A. Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B. Variable lease payments that are determined by an index or a rate (adopting the initial measurement of the index or rate on the commencement date);
- C. Amounts expected to be paid by the lessee under residual value guarantees;
- D. The exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- E. Penalties to be paid for terminating the lease, if the lease term reflects that the lessee will exercise the option to terminate the lease.

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

(Reviewed, not Audited)

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

After the commencement date, the Group measures lease liabilities on amortized cost basis. It increases the carrying amount of lease liabilities via the effective interest method to reflect the interest of lease liabilities. The carrying amount of lease liabilities is reduced when lease payments are made.

The Group measures right-of-use assets at cost on the commencement date. The costs of right-of-use assets include:

- A. The initial measurement amount of lease liabilities;
- B. All lease payments made on or before the commencement date, less any lease incentives received;
- C. Any initial direct costs incurred by the lessee; and
- D. The estimated costs for the lessee to dismantle and remove the underlying asset and restore its original location or to restore the underlying asset to the conditions required by the lease terms and conditions.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, i.e. the cost model is adopted to measure the right-of-use assets.

If the underlying assets' ownership is transferred to the Group at the end of lease term, or the cost of right-of-use assets reflects the fact that the Group will exercise the purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of underlying assets' useful life. Otherwise, the Group depreciates the right-of-use assets from the commencement date to the end of underlying assets' useful life or the end of lease term, whichever is earlier.

The Group applies IAS 36 "Impairment of Assets" to determine whether the right-of-use assets are impaired and account for any impairment loss identified.

Except for short-term leases or leases of low value assets, the Group recognizes right-of-use assets and lease liabilities on the balance sheets and lease-related depreciation and interest expenses on the statements of comprehensive income.

For short-term leases or leases of low value assets, the Group elects to adopt the straight-line basis or another systematic basis to recognize the lease payments associated with the leases as expenses during the lease terms.

For rent concessions as a direct consequence of COVID-19, the Group elects not to assess whether they are lease modifications and accounts for them as changes in lease payments instead. In addition, such practical expedient is applied to all rent concessions that meet certain criteria.

The Group being a lessor

On the date the contract is established, the Group classifies each lease as an operating or finance lease. If the lease transfers substantially all of the risks and rewards incidental to the underlying asset's ownership, it is classified as a finance lease; otherwise, it is classified as an operating lease. On the commencement date, the Group recognizes its assets under finance leases at net investment amounts on the balance sheet as finance lease receivable.

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 contracts that contain lease and non-lease components, the Group adopts IFRS 15 to allocate the considerations of contracts.

The Group adopts the straight-line basis or another systematic basis to recognize lease payments from operating leases as rent income. Variable lease payments under operating leases that are not determined by an index or a rate are recognized as rent income as incurred.

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 six months ended June 30, 2020 and 2019 as were applied in the preparation of the Group's 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.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand and petty cash	\$ 663	\$ 702	\$ 823
Bank deposits	2,692,705	2,583,819	1,816,194
Total	<u>\$ 2,693,368</u>	<u>\$ 2,584,521</u>	<u>\$ 1,817,017</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
Mandatorily at fair value through profit or loss:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 5,975	\$ 3,150	\$ 1,950
- Foreign exchange swap contracts	348	-	171
Stocks	32,719	34,981	25,310
Total	<u>\$ 39,042</u>	<u>\$ 38,131</u>	<u>\$ 27,431</u>

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

(3) Financial assets at amortized cost – current

	June 30, 2020	December 31, 2019	June 30, 2019
Time deposits – current	\$ 98,800	\$ 49,000	\$ -
Restricted bank deposits	116,532	-	-
Total	<u>\$ 215,332</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.



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

(Reviewed, not Audited)

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

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 the investment plan has been approved by the Ministry of Economic Affairs. In accordance with the Regulations, the money cannot be used for purposes other than the ones approved by the competent authorities.

(4) Notes receivable

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
Notes receivable, net	<u>\$ 562,003</u>	<u>\$ 748,651</u>	<u>\$ 1,078,133</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.

(5) Accounts receivable

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
Accounts receivable	<u>\$ 2,597,242</u>	<u>\$ 2,647,687</u>	<u>\$ 2,790,255</u>
Less: Loss allowance	<u>(51,367)</u>	<u>(56,168)</u>	<u>(77,898)</u>
Accounts receivable, net	<u>\$ 2,545,875</u>	<u>\$ 2,591,519</u>	<u>\$ 2,712,357</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\$2,597,242 thousand, NT\$2,647,687 thousand and NT\$2,790,255 thousand as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively. Please refer to Note 6(20) for loss allowance for the six months ended June 30, 2020 and 2019 and Note 12 for credit risk.

C. The Group entered into factoring agreements without recourse with banks. The banks would engage in factoring with respect to accounts receivable selected. The Group had no factoring agreements as of December 31, 2019 and June 30, 2019. Factoring details as of June 30, 2020 were as follows:

June 30, 2020			
Amount of Accounts Receivable	Amount of Factoring	Condition	Unreceived Amount (Recorded as Other Receivables)
US\$2,955 thousand	US\$2,955 thousand	Without recourse	-

(6) Inventories

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>June 30,</u> <u>2019</u>
Raw materials	<u>\$ 403,310</u>	<u>\$ 257,685</u>	<u>\$ 646,934</u>
Inventories in transit	<u>74,073</u>	<u>46,876</u>	<u>41,421</u>
Supplies	<u>11,642</u>	<u>6,777</u>	<u>6,924</u>
Work in process	<u>101,170</u>	<u>66,861</u>	<u>53,515</u>
Finished goods	<u>297,052</u>	<u>322,585</u>	<u>675,915</u>
Merchandise	<u>233,627</u>	<u>237,782</u>	<u>341,242</u>
Total	<u>\$ 1,120,874</u>	<u>\$ 938,566</u>	<u>\$ 1,765,951</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)

The Group recognized NT\$1,588,462 thousand, NT\$1,548,305 thousand, NT\$2,862,434 thousand and NT\$2,764,136 thousand of operating costs associated with inventories for the three months and six months ended June 30, 2020 and 2019, respectively. Inventory valuation loss for inventories written down to their net realizable value amounted to NT\$5,892 thousand and NT\$7,103 thousand for the three months and six months ended June 30, 2020, respectively. For the three months and six months ended June 30, 2019, gain on inventory value recovery due to a decrease in allowance for inventory valuation losses from price recovery of inventories with allowance for inventory valuation losses at beginning of period, inventories sold or inventories used amounted to NT\$111,775 thousand and NT\$8,847 thousand, respectively.

The aforementioned inventories were not pledged.

(7) Non-current assets held for sale

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Non-current assets held for sale</u>			
Property, plant and equipment	\$ 434,373	\$ 447,114	\$ -
Right-of-use assets	18,016	18,545	-
Other non-current assets	7,559	7,780	-
Total	<u>\$ 459,948</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 contract was signed and ownership was being transferred, these assets were classified as non-current assets held for sale. As of June 30, 2020, the Company had collected the first payment and the ownership of those assets was pending to be transferred.

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

	June 30, 2020	December 31, 2019	June 30, 2019
Equity instrument investments at fair value through other comprehensive income – non-current:			
Non-publicly traded stocks	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

(9) Investments accounted for under the equity method

Investee	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in associates:						
Innovision FlexTech Corp.	\$ 30,827	15.07%	\$ 36,218	15.07%	\$ 45,691	15.07%
Geckos Technology Corp.	16,938	42.08%	13,252	31.24%	9,003	33.22%
Total	<u>\$ 47,765</u>		<u>\$ 49,470</u>		<u>\$ 54,694</u>	

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

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. The shares of profit or loss of associates accounted for under the equity method based on the investees' unreviewed financial statements of the same periods for the three months and six months ended June 30, 2020 and 2019 were as follows:

Investee	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Innovision FlexTech Corp.	\$ (3,262)	\$ (2,698)	\$ (5,401)	\$ (5,796)
Geckos Technology Corp.	(2,513)	(1,229)	(3,966)	(1,329)
Total	\$ (5,775)	\$ (3,927)	\$ (9,367)	\$ (7,125)

- 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:

	June 30, 2020	December 31, 2019	June 30, 2019
Total assets	\$ 499,390	\$ 538,417	\$ 558,429
Total liabilities	\$ 266,882	\$ 274,106	\$ 241,647

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Revenue	\$ 29,205	\$ 37,448	\$ 68,941	\$ 57,883
Net loss	\$ (27,895)	\$ (22,220)	\$ (46,558)	\$ (43,876)

(10) Property, plant and equipment

	June 30, 2020	December 31, 2019	June 30, 2019
Owner-occupied property, plant and equipment	\$3,132,765	\$2,993,090	\$3,143,620

A. Owner-occupied property, plant and equipment

	As of January 1, 2020	Additions	Disposals	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of June 30, 2020
<u>Cost</u>							
Land	\$ 100,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,843
Buildings	1,257,430	1,520	-	3,874	-	-	1,262,824
Machinery and equipment	2,701,055	6,712	(8,664)	24,293	-	(3,300)	2,720,096
Hydropower equipment	383,262	926	(231)	2,660	-	(54)	386,563
Testing equipment	352,147	5,663	(2,139)	3,030	-	(200)	358,501
Miscellaneous equipment	354,851	3,620	(1,582)	8,382	-	(464)	364,807
Total	\$ 5,149,588	\$ 18,441	\$ (12,616)	\$ 42,239	\$ -	\$ (4,018)	\$ 5,193,634

(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, 2020	Additions	Disposals	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of June 30, 2020
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 417,369	\$ 26,366	\$ -	\$ -	\$ -	\$ -	\$ 443,735
Machinery and equipment	1,795,763	78,424	(8,664)	-	-	(495)	1,865,028
Hydropower equipment	228,887	7,085	(231)	-	-	-	235,741
Testing equipment	167,139	15,469	(2,139)	(46)	-	(28)	180,395
Miscellaneous equipment	262,713	9,144	(1,582)	-	-	(185)	270,090
Total	<u>\$2,871,871</u>	<u>\$ 136,488</u>	<u>\$(12,616)</u>	<u>\$ (46)</u>	<u>\$ -</u>	<u>\$ (708)</u>	<u>\$2,994,989</u>
Construction in progress and equipment awaiting inspection	715,373	274,375	-	(42,691)	-	(12,937)	934,120
Net	<u>\$2,993,090</u>						<u>\$3,132,765</u>

(Concluded)

	As of January 1, 2019	Additions	Disposals	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of June 30, 2019
<u>Cost</u>							
Land	\$ 100,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,843
Buildings	1,692,479	3,847	-	16,213	-	5,270	1,717,809
Machinery and equipment	2,711,297	88,743	(66,727)	87,200	-	4,426	2,824,939
Hydropower equipment	485,254	1,395	(73,239)	8,384	-	1,528	423,322
Testing equipment	296,469	11,345	(5,355)	39,063	-	273	341,795
Miscellaneous equipment	380,600	2,524	(45,699)	1,065	-	845	339,335
Total	<u>\$ 5,666,942</u>	<u>\$ 107,854</u>	<u>\$(191,020)</u>	<u>\$ 151,925</u>	<u>\$ -</u>	<u>\$ 12,342</u>	<u>\$5,748,043</u>

Accumulated depreciation and impairment

Buildings	\$ 538,473	\$ 36,147	\$ -	\$ -	\$ -	\$ 1,766	\$ 576,386
Machinery and equipment	1,787,283	84,085	(39,631)	-	18,352	2,991	1,853,080
Hydropower equipment	298,923	10,355	(55,670)	-	-	947	254,555
Testing equipment	145,408	14,021	(4,770)	-	-	180	154,839
Miscellaneous equipment	289,430	9,371	(43,069)	-	-	655	256,387
Total	<u>\$3,059,517</u>	<u>\$ 153,979</u>	<u>\$(143,140)</u>	<u>\$ -</u>	<u>\$ 18,352</u>	<u>\$ 6,539</u>	<u>\$3,095,247</u>

(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 June 30, 2019
Construction in progress and equipment awaiting inspection	\$ 411,218	\$ 229,524	\$ -	\$ (151,925)	\$ -	\$ 2,007	\$ 490,824
Net	<u>\$3,018,643</u>						<u>\$3,143,620</u>

(Concluded)

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

(11) Intangible assets

	June 30, 2020	December 31, 2019	June 30, 2019
Trademarks	\$ 283	\$ 312	\$ 342
Patents	7,956	8,284	8,208
Software cost	45,732	48,730	35,326
Goodwill	69,781	69,781	69,781
Total	<u>\$ 123,752</u>	<u>\$ 127,107</u>	<u>\$ 113,657</u>

	As of January 1, 2020	Additions	Reclassification	Effect of Exchange Rate Changes	As of June 30, 2020
<u>Cost</u>					
Trademarks	\$ 691	\$ -	\$ -	\$ -	\$ 691
Patents	47,336	76	-	-	47,412
Software cost	165,294	5,841	136	1,039	172,310
Goodwill	69,781	-	-	-	69,781
Total	<u>\$ 283,102</u>	<u>\$ 5,917</u>	<u>\$ 136</u>	<u>\$ 1,039</u>	<u>\$ 290,194</u>

Accumulated amortization  
and impairment

Trademarks	\$ 379	\$ 30	\$ -	\$ -	\$ 409
Patents	39,052	403	-	-	39,455
Software cost	116,564	8,859	-	1,155	126,578
Total	<u>155,995</u>	<u>\$ 9,292</u>	<u>\$ -</u>	<u>\$ 1,155</u>	<u>166,442</u>
Net	<u>\$ 127,107</u>				<u>\$ 123,752</u>

	As of January 1, 2019	Additions	Reclassification	Effect of Exchange Rate Changes	As of June 30, 2019
<u>Cost</u>					
Trademarks	\$ 672	\$ 19	\$ -	\$ -	\$ 691
Patents	45,022	1,844	-	-	46,866
Software cost	138,319	5,734	-	245	144,298
Goodwill	69,781	-	-	-	69,781
Total	<u>\$ 253,794</u>	<u>\$ 7,597</u>	<u>\$ -</u>	<u>\$ 245</u>	<u>\$ 261,636</u>

(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	Reclassification	Effect of Exchange Rate Changes	As of June 30, 2019
<u>Accumulated amortization and impairment</u>					
Trademarks	\$ 318	\$ 31	\$ -	\$ -	\$ 349
Patents	38,174	484	-	-	38,658
Software cost	100,594	8,203	-	175	108,972
Total	139,086	\$ 8,718	\$ -	\$ 175	147,979
Net	\$ 114,708				\$ 113,657

(Concluded)

(12) Other non-current assets

	June 30, 2020	December 31, 2019	June 30, 2019
Refundable deposits	\$ 24,885	\$ 16,489	\$ 16,113
Other non-current assets - other	1,803	1,180	11,776
Total	\$ 26,688	\$ 17,669	\$ 27,889

(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, and impairment evaluation on recoverable amount of goodwill was conducted at each year end. The Group adopted net fair value for the measurement. Fair value took into account the recent transaction price or announced land value of similar objects with comparability in the region and adjusted for factors including location, scale and purposes. Based on the analysis, the Company determined that the goodwill of NT\$69,781 thousand was not impaired.

(14) Short-term loans

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured bank loans	\$ 520,000	\$ 740,000	\$ 715,912

The interest rate ranges of loans were 0.73% to 0.82%, 0.76% to 1.80% and 0.74% to 1.89% and the unused short-term credit facilities amounted to NT\$2,773,580 thousand, NT\$2,726,471 thousand and NT\$2,714,036 thousand as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

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

	June 30, 2020	December 31, 2019	June 30, 2019
Held for trading:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 128	\$ 278	\$ 561
- Foreign exchange swap contracts	-	66	-
Total	\$ 128	\$ 344	\$ 561

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

	June 30, 2020	December 31, 2019	June 30, 2019
Secured loans	\$ 123,370	\$ 34,565	\$ 40,046
Revolving loans	750,000	900,000	700,000
Syndicated loans	-	-	-
Total	<u>873,370</u>	<u>934,565</u>	<u>740,046</u>
Less: current portion	-	(11,009)	(10,900)
Less: unamortized syndicated loan fee	-	-	-
Net	<u>\$ 873,370</u>	<u>\$ 923,556</u>	<u>\$ 729,146</u>

- A. The interest rate ranges of loans were 0.80% to 1.20%, 0.83% to 1.79% and 0.83% to 1.79% as of June 30, 2020, December 31, 2019 and June 30, 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 aforementioned syndicated loans were terminated in January 2020.

(17) Post-employment benefit plans

A. Defined contribution plan

Expenses under the defined contribution plan were NT\$6,400 thousand and NT\$6,431 thousand for the three months ended June 30, 2020 and 2019, respectively; and NT\$12,775 thousand and NT\$13,182 thousand for the six months ended June 30, 2020 and 2019, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan were NT\$2,491 thousand and NT\$2,264 thousand for the three months ended June 30, 2020 and 2019, respectively; and NT\$4,980 thousand and NT\$4,528 thousand for the six months ended June 30, 2020 and 2019, 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 June 30, 2020, December 31, 2019 and June 30, 2019.

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) 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 June 30, 2020, December 31, 2019 and June 30, 2019.

B. Capital surplus

	June 30, 2020	December 31, 2019	June 30, 2019
Additional paid-in capital	\$ 666,479	\$ 938,334	\$ 938,334
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	107,820	112,675	112,274
Total	\$ 1,066,049	\$ 1,342,759	\$ 1,342,358

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.



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

(Reviewed, not Audited)

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

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 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 June 30, 2020 and 2019, special capital reserve for the first-time adoption of IFRS amounted to NT\$75,546 thousand.

Information about the appropriation of 2019 and 2018 earnings approved in the shareholders' meetings on May 28, 2020 and May 29, 2019, respectively, was as follows:

	Appropriation of Earnings		Dividend per Share (NT\$)	
	2019	2018	2019	2018
Legal capital reserve	\$ 57,079	\$ 67,231	-	-
Special capital reserve	64,876	90,571	-	-
Cash dividends - common stocks	250,944	418,239	\$ 1.20	\$ 2.00

The shareholders' meeting on May 28, 2020 resolved 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)

	Six Months Ended June 30	
	2020	2019
Beginning balance	\$ 106,567	\$ 119,211
Net income (loss) attributable to NCI	1,783	(5,331)
Other comprehensive income attributable to NCI:		
Exchange differences arising on translation of foreign operations	(203)	84
Ending balance	\$ 108,147	\$ 113,964

(19) Revenue

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Sale of goods	\$ 2,055,643	\$ 2,078,181	\$ 3,669,692	\$ 3,450,882

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:

	June 30, 2020	December 31, 2019	June 30, 2019	December 31, 2018
Contract liabilities - current				
Sale of goods	\$ 1,000	\$ 1,084	\$ 234	\$ 2,372

Beginning balance of contract liabilities reclassified to revenue amounted to NT\$1,073 thousand and NT\$2,352 thousand for the six months ended June 30, 2020 and 2019, respectively.

(20) Expected credit gains

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Operating expenses – Expected credit (gains)				
Accounts receivable	\$ (3,247)	\$ (456)	\$ (3,842)	\$ (342)

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 June 30, 2020, December 31, 2019 and June 30, 2019 was as follows:

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

June 30, 2020

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 3,071,995	\$ 56,553	\$ 4,565	\$ 26,132	\$ 3,159,245
Loss ratio	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	21,316	3,006	913	26,132	51,367
Subtotal	\$ 3,050,679	\$ 53,547	\$ 3,652	\$ -	\$ 3,107,878

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)

June 30, 2019

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 3,549,708	\$ 100,698	\$ 165,713	\$ 52,269	\$ 3,868,388
Loss ratio	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	11,681	4,171	33,156	28,890	77,898
Subtotal	\$ 3,538,027	\$ 96,527	\$ 132,557	\$ 23,379	\$ 3,790,490

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

The movements in the loss allowance for receivables in the six months ended June 30, 2020 and 2019 were as follows:

	Receivables
Balance as of January 1, 2020	\$ 56,168
Reversal in the current period	(3,842)
Write off	-
Effect of exchange rate changes	(959)
Balance as of June 30, 2020	\$ 51,367
	Receivables
Balance as of January 1, 2019	\$ 77,758
Reversal in the current period	(342)
Write off	(130)
Effect of exchange rate changes	612
Balance as of June 30, 2019	\$ 77,898

(21) Leases

A. The Group being a lessee

The Group leased various assets, including property (land and buildings) and transportation equipment. The lease terms of these 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

(i) Right-of-use assets

The carrying amount of right-of-use assets

	June 30, 2020	December 31, 2019	June 30, 2019
Land	\$ 351,835	\$ 355,924	\$ 385,349
Buildings	10,482	6,081	9,021
Transportation equipment	13,845	17,439	14,892

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

(Reviewed, not Audited)

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

	\$ 376,162	\$ 379,444	\$ 409,262
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The Group's right-of-use assets increased by NT\$9,548 thousand and NT\$6,815 thousand for the six months ended June 30, 2020 and 2019, respectively.

(ii) Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Current	\$ 14,841	\$ 15,744	\$ 15,353
Non-current	255,508	252,171	254,599
Lease liabilities	\$ 270,349	\$ 267,915	\$ 269,952

Please refer to Note 6(23)C Finance costs for details on interest expenses of lease liabilities for the three months and six months ended June 30, 2020 and 2019, and Note 12(5) Liquidity risk management for the maturity analysis on lease liabilities for the six months ended June 30, 2020 and 2019.

(b) Amounts recognized in the statements of comprehensive income

Depreciation of right-of-use assets

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Land	\$ 2,104	\$ 2,275	\$ 4,211	\$ 4,551
Buildings	2,073	1,373	3,384	2,747
Transportation equipment	2,060	1,910	4,139	3,815
Total	\$ 6,237	\$ 5,558	\$ 11,734	\$ 11,113

(c) Lessee's income and expenses associated with leasing activities

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Expense of short-term leases	\$ 4,220	\$ 5,166	\$ 7,929	\$ 9,524
Expense of leases of low value assets (excluding short-term leases of low value assets)	171	253	390	501

The Group recognized NT\$203 thousand and NT\$203 thousand of rent concessions as a direct consequence of COVID-19 in profit or loss for the three months and six months ended June 30, 2020, respectively, to reflect changes in lease payments resulting from the adoption of relevant practical expedient.

(d) Lessee's cash outflows associated with leasing activities

The Group's cash outflows from leases amounted to NT\$12,041 thousand and NT\$8,254 thousand for the six months ended June 30, 2020 and 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)

(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 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 June 30					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	105,338	86,415	191,753	98,035	108,181	206,216
Labor and health insurance	8,817	5,974	14,791	8,914	6,738	15,652
Pension	5,036	3,855	8,891	5,052	3,643	8,695
Remuneration to directors	-	4,743	4,743	-	7,456	7,456
Other employee benefits expense	9,991	10,179	20,170	10,641	6,997	17,638
Depreciation	69,043	6,128	75,171	75,181	6,816	81,997
Amortization	1,148	3,915	5,063	2,584	4,600	7,184

Function \ Nature	Six Months Ended June 30					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	193,275	160,046	353,321	168,207	180,360	348,567
Labor and health insurance	18,707	12,858	31,565	19,663	14,310	33,973
Pension	10,145	7,610	17,755	10,279	7,431	17,710
Remuneration to directors	-	6,706	6,706	-	7,456	7,456
Other employee benefits expense	18,580	16,696	35,276	20,459	12,240	32,699
Depreciation	135,961	12,261	148,222	151,213	13,879	165,092
Amortization	2,421	7,568	9,989	4,980	8,529	13,509

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

(Reviewed, not Audited)

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

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.

Based on profitability, the compensation to employees and remuneration to directors accrued for the six months ended June 30, 2020 and 2019 were as follows:

	Six Months Ended June 30	
	2020	2019
Compensation to employees	\$ 23,530	\$ 28,504
Remuneration to directors	6,433	7,792

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 and 2018 compensation to employees and remuneration to directors reported in the shareholders' meetings on May 28, 2020 and May 29, 2019, respectively, 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 2019 and 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' meetings on January 10, 2020 and January 18, 2019, respectively, and the amounts recognized as expenses in the financial statements.

(23) Non-operating income and expenses

A. Interest income

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Interest income	\$ 2,597	\$ 3,752	\$ 5,166	\$ 7,251

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. Other income

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Insurance claim income (Note)	\$ -	\$ 134,553	\$ -	\$ 134,553
Other income	3,317	4,753	11,117	64,217
Total	\$ 3,317	\$ 139,306	\$ 11,117	\$ 198,770

(Note): A fire broke out in the Group's subsidiary, Taiflex Scientific (Kunshan) Co., Ltd., in January 2018 and parts of the plants, equipment and inventories were damaged. The insurance claim of RMB 29,500 thousand was recognized under other income and fully collected in July 2019.

C. Other gains and losses

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Gain (loss) on disposal of property, plant and equipment	\$ 15	\$ (28,533)	\$ 15	\$ (28,950)
Foreign exchange (loss) gain, net	(38,455)	(25,818)	(50,727)	36,590
Gain on reversal/(loss) of impairment for non-financial assets	-	27,296	-	(18,352)
Gain/(loss) on financial assets (liabilities) at fair value through profit or loss, net	20,142	2,674	5,601	(14,944)
Other losses	(167)	(953)	(892)	(1,594)
Total	\$ (18,465)	\$ (25,334)	\$ (46,003)	\$ (27,250)

D. Finance costs

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Interest on bank borrowings	\$ (3,986)	\$ (2,054)	\$ (7,463)	\$ (5,623)
Interest on lease liabilities	(1,370)	(1,292)	(2,575)	(2,603)
Total	\$ (5,356)	\$ (3,346)	\$ (10,038)	\$ (8,226)

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

E. Components of other comprehensive income

For the three months ended June 30, 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	\$ (36,429)	\$ -	\$ (36,429)	\$ 7,286	\$ (29,143)

For the three months ended June 30, 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	\$ (27,412)	\$ -	\$ (27,412)	\$ 5,482	\$ (21,930)

For the six months ended June 30, 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	\$ (68,708)	\$ -	\$ (68,708)	\$ 13,742	\$ (54,966)

For the six months ended June 30, 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	\$ 24,792	\$ -	\$ 24,792	\$ (4,959)	\$ 19,833



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

(24) Income tax

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

Income tax recognized in profit or loss

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Current income tax expense:				
Current income tax expense	\$ 51,067	\$ 62,809	\$ 89,791	\$ 108,311
Income tax adjustments on prior years	(5,791)	(5,620)	(5,145)	(5,272)
Separate taxation for repatriated offshore funds	-	-	11,411	-
Effect of exchange rate changes	295	148	299	103
Deferred income tax expense (benefit):				
Income tax expense (benefit) relating to origination and reversal of temporary differences	(6,809)	15,033	(40,660)	(18,925)
Income tax expense	\$ 38,762	\$ 72,370	\$ 55,696	\$ 84,217

Income tax recognized in other comprehensive income

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Deferred income tax (benefit):				
Exchange differences arising on translation of foreign operations	\$ (7,286)	\$ (5,482)	\$ (13,742)	\$ 4,959
Deferred income tax relating to changes in tax rates	-	-	-	-
Income tax relating to components of other comprehensive income	\$ (7,286)	\$ (5,482)	\$ (13,742)	\$ 4,959

B. The assessment of income tax returns:

As of June 30, 2020, the 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 2018

(25) Earnings per share (EPS)

	Three Months Ended June 30, 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 parent	\$ 167,163	209,120	\$ 0.80

(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)

	Three Months Ended June 30, 2020		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Diluted earnings per share</u>			
Effect of dilutive potential common stocks			
Employee compensation – stock	-	341	
Net income attributable to common shareholders of the parent and effect of potential common stocks	<u>\$ 167,163</u>	<u>209,461</u>	<u>\$ 0.80</u> (Concluded)

	Three Months Ended June 30, 2019		
	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 parent	<u>\$ 281,201</u>	<u>209,120</u>	<u>\$ 1.34</u>
<u>Diluted earnings per share</u>			
Effect of dilutive potential common stocks			
Employee compensation – stock	-	660	
Net income attributable to common shareholders of the parent and effect of potential common stocks	<u>\$ 281,201</u>	<u>209,780</u>	<u>\$ 1.34</u>

	Six Months Ended June 30, 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 parent	<u>\$ 250,712</u>	<u>209,120</u>	<u>\$ 1.20</u>
<u>Diluted earnings per share</u>			
Effect of dilutive potential common stocks			
Employee compensation – stock	-	480	
Net income attributable to common shareholders of the parent and effect of potential common stocks	<u>\$ 250,712</u>	<u>209,600</u>	<u>\$ 1.20</u>

	Six Months Ended June 30, 2019		
	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 parent	<u>\$ 274,036</u>	<u>209,120</u>	<u>\$ 1.31</u> (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)

	Six Months Ended June 30, 2019		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Diluted earnings per share</u>			
Effect of dilutive potential common stocks			
Employee compensation – stock	-	660	
Net income attributable to common shareholders of the parent and effect of potential common stocks	\$ 274,036	209,780	\$ 1.31
			(Concluded)

7. Related Party Transactions

Related parties transacted with the Group during the reporting period were as follows:

Names and relationships

Name	Relationship
Innatech Co., Ltd. (Innatech)	A substantive related party of the Group
Geckos Technology Corp. (Geckos)	An associate of the Group

(1) Other receivables – related parties

	June 30, 2020	December 31, 2019	June 30, 2019
Associates	\$ 322	\$ —	\$ —

(2) Other payables – related parties

	June 30, 2020	December 31, 2019	June 30, 2019
Substantive related parties	\$ 4,422	\$ —	\$ —

(3) Property transaction

Acquisition of property, plant and equipment

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Substantive related parties	\$ 5,499	\$ —	\$ 5,499	\$ 675

Acquisition of intangible assets

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Substantive related parties	\$ 401	\$ —	\$ 401	\$ —

Gain on sales of property, plant and equipment

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Associates	\$ 15	\$ —	\$ 15	\$ —

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

(Reviewed, not Audited)

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

(4) Others

Rent income

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Associates	\$ 450	\$ —	\$ 900	\$ —

Rents were determined through mutual agreements based on market conditions. The collection term of rents from related parties were comparable with one from non-related parties. Rents were collected on a monthly basis.

(5) Compensation to key management of the Group

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 6,303	\$ 14,492	\$ 22,810	\$ 35,161
Post-employment benefits	151	151	300	300
Total	\$ 6,454	\$ 14,643	\$ 23,110	\$ 35,461

8. Pledged Assets

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

	Carrying Amount			Purpose of Pledge
	June 30, 2020	December 31, 2019	June 30, 2019	
Time deposits (Note)	\$ 20,031	\$ 20,031	\$ 20,413	Customs guarantee
Land	100,843	100,843	100,843	Long-term loans
Buildings	94,879	96,750	99,103	Letter of credit, short-term credit facilities and long-term loans
Total	\$ 215,753	\$ 217,624	\$ 220,359	

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

9. Significant Contingent liabilities and Unrecognized Contract Commitments

Details of the Group's unused letters of credit as of June 30, 2020 were as follows:

	L/C Balance	
NTD	NT\$	190 thousand
JPY	JPY	30,000 thousand
USD	US\$	5,399 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

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets at fair value through profit or loss:			
Mandatorily at fair value through profit or loss	\$ 39,042	\$ 38,131	\$ 27,431
Financial assets at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	2,692,705	2,583,819	1,816,194
Financial assets at amortized cost	215,332	49,000	-
Receivables	3,139,386	3,367,646	3,954,000
Other financial assets - current	20,031	20,031	20,413

Financial liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Financial liabilities at fair value through profit or loss:			
Held for trading	\$ 128	\$ 344	\$ 561
Financial liabilities at amortized cost:			
Short-term loans	520,000	740,000	715,912
Payables	2,380,512	1,389,254	2,343,438
Long-term loans (including current portion)	873,370	934,565	740,046
Lease liabilities (current and non-current)	270,349	267,915	269,952

(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 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 focusing on the impact of foreign exchange rate fluctuations 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 six months ended June 30, 2020 and 2019 to increase/decrease by NT\$1,636 thousand and NT\$1,265 thousand, respectively.

D. Pre-tax sensitivity analysis was as follows:

For the six months ended June 30, 2020

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ 9,154 thousand
	NTD/CNY appreciate/depreciate by 1%	-/+ 963 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- 1,515 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 six months ended June 30, 2019

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ 13,091 thousand
	NTD/CNY appreciate/depreciate by 1%	-/+ 2,594 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- 361 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 ratings 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 department 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

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>June 30, 2020</u>					
Borrowings	\$ 520,490	\$ 600,000	\$ 273,370	\$ -	\$ 1,393,860
Payables	2,380,512	-	-	-	2,380,512
Lease liabilities	14,841	20,114	12,624	222,770	270,349
<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
<u>June 30, 2019</u>					
Borrowings	\$ 728,334	\$ 629,146	\$ 100,000	\$ -	\$ 1,457,480
Payables	2,343,438	-	-	-	2,343,438
Lease liabilities	15,353	19,433	10,865	224,301	269,952

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

(Reviewed, not Audited)

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

Derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<u>June 30, 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>June 30, 2019</u>					
Inflows	\$ 406,068	\$ -	\$ -	\$ -	\$ 406,068
Outflows	406,980	-	-	-	406,980
Net	<u>\$ (912)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (912)</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 six months ended June 30, 2020:

	<u>Short-term Loans</u>	<u>Long-term Loans</u>	<u>Lease Liabilities</u>	<u>Guarantee Deposits Received</u>	<u>Total Liabilities from Financing Activities</u>
As of January 1, 2020	\$ 740,000	\$ 934,565	\$ 267,915	\$ 216,029	\$ 2,158,509
Cash flows	(220,000)	(61,195)	(12,041)	(6,149)	(299,385)
Non-cash movement	-	-	14,475	-	14,475
As of June 30, 2020	<u>\$ 520,000</u>	<u>\$ 873,370</u>	<u>\$ 270,349</u>	<u>\$ 209,880</u>	<u>\$ 1,873,599</u>

Reconciliation of liabilities for the six months ended June 30, 2019:

	<u>Short-term Loans</u>	<u>Long-term Loans</u>	<u>Lease Liabilities</u>	<u>Guarantee Deposits Received</u>	<u>Total Liabilities from Financing Activities</u>
As of January 1, 2019	\$1,362,054	\$ 341,932	\$ 273,779	\$ 255	\$ 1,978,020
Cash flows	(646,142)	398,114	(8,254)	-	(256,282)
Non-cash movement	-	-	4,427	-	4,427
As of June 30, 2019	<u>\$ 715,912</u>	<u>\$ 740,046</u>	<u>\$ 269,952</u>	<u>\$ 255</u>	<u>\$ 1,726,165</u>

(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:



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) 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. Information on the fair value hierarchy of financial instruments

Please refer to Note 12(9) for details.

(8) Derivative instruments

As of June 30, 2020, December 31, 2019 and June 30, 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:

<u>Currency</u>	<u>Contract Period</u>	<u>Contract Amount (in thousands)</u>
<u>June 30, 2020</u>		
Sell CNY/Buy NTD	2020.04~2020.10	CNY 84,000/NT\$ 350,826
Sell USD/Buy NTD	2020.04~2020.09	US\$ 10,000/NT\$ 298,853
<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>June 30, 2019</u>		
Sell CNY/Buy NTD	2019.03~2019.10	CNY 90,000/NT\$ 406,068

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:

<u>Currency</u>	<u>Contract Period</u>	<u>Contract Amount (in thousands)</u>
<u>June 30, 2020</u>		
Sell CNY/Buy NTD	2020.04~2020.09	CNY 9,600/NT\$ 40,364
<u>December 31, 2019</u>		
Sell CNY/Buy NTD	2019.09~2020.04	CNY 9,600/NT\$ 41,044
<u>June 30, 2019</u>		
Sell CNY/Buy NTD	2019.04~2019.09	CNY 6,200/NT\$ 28,087

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.

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

(Reviewed, not Audited)

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

(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 reevaluated 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>June 30, 2020</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 5,975	\$ -	\$ 5,975
Foreign exchange swap contracts	-	348	-	348
Stocks	32,719	-	-	32,719
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	128	-	128
<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

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>June 30, 2019</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ 1,950	\$ —	\$ 1,950
Foreign exchange swap contracts	—	171	—	171
Stocks	25,310	—	—	25,310
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	—	561	—	561

For the six months ended June 30, 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:

	June 30, 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	\$ 59,459	29.631	\$ 1,761,830	\$ 76,464	30.047	\$ 2,297,500
CNY	22,979	4.1925	96,339	58,552	4.3155	252,681
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 28,564	29.631	\$ 846,380	\$ 15,014	30.047	\$ 451,124
JPY	217,431	0.2751	59,815	211,599	0.2764	58,486
June 30, 2019						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 68,882	31.0630	\$ 2,139,682			
CNY	57,773	4.5220	261,250			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 26,740	31.0630	\$ 830,625			
JPY	212,263	0.2886	61,259			

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

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 entities within the Group transact in various currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. The Group's foreign exchange gain (loss) amounted to NT\$(38,455) thousand, NT\$(25,818) thousand, NT\$(50,727) thousand and NT\$36,590 thousand for the three months and six months ended June 30, 2020 and 2019, 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.

(12) Information on financial assets transferred

Derecognition of financial assets transferred in their entirety.

A part of the Group's accounts receivables was used in factoring agreements without recourse with financial institutions. In addition to derecognizing the contractual rights to cash flows from these account receivables, the Group did not have to bear the default risks in accordance with the agreements. Thus, the assets transferred satisfied the derecognition requirements. Transaction details were as follows:

June 30, 2020				
Factor	Amount Transferred	Cash Withdrawn	Interest Rate Range	Credit Line
CTBC Bank	US\$2,955	US\$2,955	0.8%~1.1%	US\$3,000

The Group had no factoring agreements as of December 31, 2019 and June 30, 2019.

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 June 30, 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 six months ended June 30, 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 six months ended June 30, 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 six months ended June 30, 2020: None.
- G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the six months ended June 30, 2020: Please refer to Table 4.

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

(Reviewed, not Audited)

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

- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of June 30, 2020: Please refer to Table 5.
- I. Direct or indirect significant influence or control over the investees for the six months ended June 30, 2020 (excluding investments in China): Please refer to Table 6.
- J. Derivative financial instrument transactions: Please refer to Note 12.
- K. Others: intercompany relationships and significant intercompany transactions for the six months ended June 30, 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

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.

Segment income (loss)

For the three months ended June 30, 2020

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 1,382,227	\$ 673,416	\$ -	\$ 2,055,643
Inter-segment	521,182	177,628	(698,810)	-
Total revenue	<u>\$ 1,903,409</u>	<u>\$ 851,044</u>	<u>\$ (698,810)</u>	<u>\$ 2,055,643</u>
Segment income (loss) (before income tax)	<u>\$ 204,393</u>	<u>\$ (37,557)</u>	<u>\$ 40,313</u>	<u>\$ 207,149</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 June 30, 2019

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 1,453,698	\$ 624,483	\$ -	\$ 2,078,181
Inter-segment	550,746	9,337	(560,083)	-
Total revenue	<u>\$ 2,004,444</u>	<u>\$ 633,820</u>	<u>\$ (560,083)</u>	<u>\$ 2,078,181</u>
Segment income (loss) (before income tax)	<u>\$ 371,857</u>	<u>\$ 103,425</u>	<u>\$ (124,616)</u>	<u>\$ 350,666</u>

Note: Inter-segment revenues were eliminated upon consolidation.

For the six months ended June 30, 2020

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 2,377,893	\$ 1,291,799	\$ -	\$ 3,669,692
Inter-segment	1,067,931	203,153	(1,271,084)	-
Total revenue	<u>\$ 3,445,824</u>	<u>\$ 1,494,952</u>	<u>\$ (1,271,084)</u>	<u>\$ 3,669,692</u>
Segment income (loss) (before income tax)	<u>\$ 287,202</u>	<u>\$ (24,088)</u>	<u>\$ 45,077</u>	<u>\$ 308,191</u>

Note: Inter-segment revenues were eliminated upon consolidation.

For the six months ended June 30, 2019

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 2,278,931	\$ 1,171,951	\$ -	\$ 3,450,882
Inter-segment	1,026,625	39,356	(1,065,981)	-
Total revenue	<u>\$ 3,305,556</u>	<u>\$ 1,211,307</u>	<u>\$ (1,065,981)</u>	<u>\$ 3,450,882</u>
Segment income (loss) (before income tax)	<u>\$ 356,781</u>	<u>\$ (63,153)</u>	<u>\$ 59,294</u>	<u>\$ 352,922</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	\$ 237,048	\$ -	1.70%~4.00%	2	—	Operating capital	—	—	—	\$ 1,382,868	\$ 2,765,735	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	423,850	414,834	148,155	1.70%~4.00%	2	—	Operating capital	—	—	—	1,382,868	2,765,735	(Note 7)
1	Taiflex Scientific (Kunshan) Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	258,750	251,550	-	0%	2	—	Operating capital	—	—	—	712,016	712,016	(Note 9)
1	Taiflex Scientific (Kunshan) Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	431,250	419,250	251,550	0%	2	—	Operating capital	—	—	—	712,016	712,016	(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, 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 six months ended June 30, 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.	Shenzhen Taiflex Electronic Co., Ltd.	2	\$ 3,457,169	\$ 730,529	\$ 594,009	\$ -	—	8.59%	\$ 3,457,169	Y	N	Y
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	2	3,457,169	615,636	607,436	44,083	—	8.79%		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 six months ended June 30, 2020.

Note 5: This refers to amounts approved by the board of directors. However, where the authority has been 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 JUNE 30, 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	June 30, 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	\$ 32,719	0.03%	\$ 32,719	—

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	\$ 1,053,771	31.95%	180 days from the end of month	—	—	\$ 1,019,456	70.98%	—
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	1,053,771	84.74%	180 days from the end of month	—	—	(1,019,456)	82.79%	—

Note 1: The sales prices and collection terms of sales 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	\$ 1,019,456	2.03	—	—	\$ 418,242	—	—
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	49,046	(Note 1)	—	—	41,807	—	—

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

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

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2020			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				June 30, 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%	\$ 750,013	\$ (37,322)	\$ (37,322)	—
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	854	33	33	—
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	294,102	294,102	13,700	53.86%	211,982	3,864	(767)	(Note 1)
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	102,894	102,894	3,972	15.07%	30,827	(35,840)	(5,401)	—
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	447,598	1,255	1,255	(Note 2)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	1,062,808	927,740	35,500	69.29%	1,086,039	3,984	2,722	—
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	17,686	30	30	—
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	8,820	1	100.00%	9,124	(260)	(260)	—
Taiflex Scientific Co., Ltd.	Geckos Technology Corp.	Taiwan	Manufacturing and selling of electronic materials	28,699	16,182	2,524	42.08%	16,938	(10,718)	(3,966)	—
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	30.71%	481,270	3,984	1,262	—
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	712,106	(22,084)	(22,084)	—
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	28,649	28,649	960	100.00%	15,710	1,489	1,489	—
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	28,500	28,500	955	100.00%	15,590	1,489	1,489	—

Note 1: Including amortization of property, plant and equipment.

Note 2: Including unrealized gain/loss between affiliates.

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 June 30, 2020	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of June 30, 2020	Accumulated Inward Remittances of Earnings as of June 30, 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	\$ (22,084)	100.00%	\$ (22,084)	\$ 712,016	\$ 135,257
	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	26,341	100.00%	26,341	559,199	-
	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	(22,323)	100.00%	(22,323)	1,008,046	-
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	1,489	53.86%	802	8,390	-
Accumulated Outflows of Investment from Taiwan to Mainland China as of June 30, 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) \$140,633

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 or 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\$234,388 thousand  $\times$  60% = NT\$140,633 thousand

TABLE 8: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE SIX MONTHS ENDED JUNE 30, 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	1,053,771	General trading terms	28.72%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	1,019,456	General trading terms	8.66%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Other receivables	49,046	General trading terms	0.42%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Other receivables	148,155	Financing	1.26%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Purchase on behalf of others	43,485	—	0.37%

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 Shares)

Share	No. of Shares	Shareholding %
Name of Major Shareholders		
Chang Wah Electromaterials Inc.	16,559,000	7.91%
Qiao Mei Development Corporation	15,843,729	7.57%
BaoJie Funds in custody of Standard Chartered Bank Main Branch	11,970,120	5.72%

Note 1: Major shareholders in the Table above are shareholders owning 5% or more of the Company's common and preferred stocks (only the 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 the ones owned by the persons plus the 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.