

TAIFLEX SCIENTIFIC COMPANY LIMITED
AND SUBSIDIARIES

Consolidated Financial Statements for the
Nine Months Ended September 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	15-35
(7) Related Party Transactions	35-36
(8) Pledged Assets	36
(9) Significant Contingent Liabilities and Unrecognized Contract Commitments	37
(10) Significant Disaster Loss	37
(11) Significant Subsequent Events	37
(12) Others	37-45
(13) Additional Disclosures	
A. Information on Significant Transactions and Investees	45, 48-53,55
B. Information on Investments in Mainland China	45,54
C. Information on Major Shareholders	45,56
(14) Operating Segment	45-47

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 September 30, 2020 and 2019; the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine 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 September 30, 2020 and 2019, its consolidated financial performance for the three months and nine months ended September 30, 2020 and 2019 and its consolidated cash flows for the nine 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

October 29, 2020

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

Assets	Notes	September 30, 2020	December 31, 2019	September 30, 2019
Current assets				
Cash and cash equivalents	4, 6(1)	\$ 2,023,459	\$ 2,584,521	\$ 2,085,251
Financial assets at fair value through profit or loss - current	4, 6(2)	33,613	38,131	36,835
Financial assets at amortized cost - current	4, 6(3)	173,067	49,000	-
Notes receivable, net	4, 6(4)	604,014	748,651	741,920
Accounts receivable, net	4, 6(5)	3,103,520	2,591,519	2,913,286
Other receivables	7	94,481	27,476	35,427
Inventories, net	4, 6(6)	1,104,341	938,566	1,303,115
Prepayments		129,167	127,932	121,380
Non-current assets held for sale	4, 6(7)	-	473,439	-
Other current assets	8	25,103	22,658	44,412
Total current assets		<u>7,290,765</u>	<u>7,601,893</u>	<u>7,281,626</u>
Non-current assets				
Financial assets at fair value through other comprehensive income - non-current	4, 6(8)	-	-	-
Investments accounted for under the equity method	4, 6(9)	46,231	49,470	47,949
Property, plant and equipment	4, 6(10)	3,214,751	2,993,090	3,303,608
Right-of-use assets	4, 6(21)	373,526	379,444	399,871
Intangible assets	4, 6(11,13)	121,028	127,107	127,716
Deferred income tax assets	4, 6(24)	210,818	205,308	193,885
Other non-current assets	4, 6(12)	26,327	17,669	26,934
Total non-current assets		<u>3,992,681</u>	<u>3,772,088</u>	<u>4,099,963</u>
Total assets		<u>\$ 11,283,446</u>	<u>\$ 11,373,981</u>	<u>\$ 11,381,589</u>

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

(Continued)

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

Liabilities and Equity	Notes	September 30, 2020	December 31, 2019	September 30, 2019
Current liabilities				
Short-term loans	6(14)	\$ 327,006	\$ 740,000	\$ 750,000
Financial liabilities at fair value through profit or loss - current	4, 6(15)	6,246	344	90
Contract liabilities - current	4, 6(19)	3,400	1,084	1,444
Notes payable		370	358	358
Accounts payable		1,554,870	833,240	851,451
Other payables	7	614,474	555,656	576,294
Current income tax liabilities	4, 6(24)	251,831	135,929	106,408
Lease liabilities - current	4, 6(21)	14,951	15,744	14,997
Current portion of long-term loans	6(16)	-	11,009	10,958
Other current liabilities		3,266	2,470	1,235
Total current liabilities		<u>2,776,414</u>	<u>2,295,834</u>	<u>2,313,235</u>
Non-current liabilities				
Long-term loans	6(16)	573,370	923,556	1,276,355
Deferred income tax liabilities	4, 6(24)	84,887	114,231	116,347
Lease liabilities – non-current	4, 6(21)	252,136	252,171	251,941
Net defined benefit liabilities - non-current	4, 6(17)	224,947	219,550	143,106
Other non-current liabilities	4, 12	255	216,029	255
Total non-current liabilities		<u>1,135,595</u>	<u>1,725,537</u>	<u>1,788,004</u>
Total liabilities		<u>3,912,009</u>	<u>4,021,371</u>	<u>4,101,239</u>
Equity attributable to shareholders of the parent				
Capital	6(18)			
Common stock		2,091,197	2,091,197	2,091,197
Capital surplus	6(18)	1,066,147	1,342,759	1,342,368
Retained earnings				
Legal capital reserve		939,900	882,821	882,821
Special capital reserve		230,993	166,117	166,117
Unappropriated earnings		3,184,860	2,994,142	2,892,816
Total retained earnings		<u>4,355,753</u>	<u>4,043,080</u>	<u>3,941,754</u>
Others	4	<u>(257,442)</u>	<u>(230,993)</u>	<u>(205,560)</u>
Total equity attributable to shareholders of the parent		<u>7,255,655</u>	<u>7,246,043</u>	<u>7,169,759</u>
Non-controlling interests	4, 6(18)	<u>115,782</u>	<u>106,567</u>	<u>110,591</u>
Total equity		<u>7,371,437</u>	<u>7,352,610</u>	<u>7,280,350</u>
Total liabilities and equity		<u>\$ 11,283,446</u>	<u>\$ 11,373,981</u>	<u>\$ 11,381,589</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 Nine Months Ended September 30, 2020 and 2019
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

	Notes	<u>Three Months Ended</u> <u>September 30</u>		<u>Nine Months Ended</u> <u>September 30</u>	
		2020	2019	2020	2019
Net revenue	4, 6(19)	\$ 2,672,412	\$ 2,173,576	\$ 6,342,104	\$ 5,624,458
Cost of revenue	4, 6(6,22)	(1,998,123)	(1,608,927)	(4,860,557)	(4,373,063)
Gross profit		<u>674,289</u>	<u>564,649</u>	<u>1,481,547</u>	<u>1,251,395</u>
Operating expenses	4, 6(22)				
Sales and marketing expenses		(113,508)	(101,958)	(296,909)	(283,092)
General and administrative expenses		(107,157)	(87,367)	(248,969)	(278,916)
Research and development expenses		(77,397)	(79,487)	(205,968)	(204,390)
Expected credit gains	6(20)	762	87	4,604	429
Total operating expenses		<u>(297,300)</u>	<u>(268,725)</u>	<u>(747,242)</u>	<u>(765,969)</u>
Operating income		<u>376,989</u>	<u>295,924</u>	<u>734,305</u>	<u>485,426</u>
Non-operating income and expenses	6(23)				
Interest income		1,257	3,549	6,423	10,800
Other income		6,443	11,670	17,560	210,440
Other gains and losses		19,559	(53,931)	(26,444)	(81,181)
Finance costs		(6,009)	(5,740)	(16,047)	(13,966)
Share of profit or loss of associates accounted for under the equity method	4, 6(9)	(1,537)	(5,314)	(10,904)	(12,439)
Total non-operating income and expenses		<u>19,713</u>	<u>(49,766)</u>	<u>(29,412)</u>	<u>113,654</u>
Income before income tax		396,702	246,158	704,893	599,080
Income tax expense	4, 6(24)	(76,278)	(53,840)	(131,974)	(138,057)
Net income of continuing operations		<u>320,424</u>	<u>192,318</u>	<u>572,919</u>	<u>461,023</u>
Net income		<u>320,424</u>	<u>192,318</u>	<u>572,919</u>	<u>461,023</u>
Other comprehensive income	6(23)				
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		35,537	(74,307)	(33,171)	(49,515)
Income tax benefits (expenses) related to components of other comprehensive income that may be reclassified subsequently to profit or loss		(7,107)	14,862	6,635	9,903
Total other comprehensive income, net of tax		<u>28,430</u>	<u>(59,445)</u>	<u>(26,536)</u>	<u>(39,612)</u>
Total comprehensive income		<u>\$ 348,854</u>	<u>\$ 132,873</u>	<u>\$ 546,383</u>	<u>\$ 421,411</u>
Net income attributable to:	4, 6(18,25)				
Shareholders of the parent		\$ 312,905	\$ 195,438	\$ 563,617	\$ 469,474
Non-controlling interests		7,519	(3,120)	9,302	(8,451)
		<u>\$ 320,424</u>	<u>\$ 192,318</u>	<u>\$ 572,919</u>	<u>\$ 461,023</u>
Total comprehensive income (loss) attributable to:					
Shareholders of the parent		\$ 341,219	\$ 136,246	\$ 537,168	\$ 430,031
Non-controlling interests		7,635	(3,373)	9,215	(8,620)
		<u>\$ 348,854</u>	<u>\$ 132,873</u>	<u>\$ 546,383</u>	<u>\$ 421,411</u>
Earnings per share (NT\$)	4, 6(25)				
Earnings per share - basic		\$ 1.50	\$ 0.93	\$ 2.70	\$ 2.25
Earnings per share - diluted		\$ 1.49	\$ 0.93	\$ 2.68	\$ 2.23

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Nine Months Ended September 30, 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		289						289		289
Cash dividends from capital surplus		(104,560)						(104,560)		(104,560)
Net income for the nine months ended September 30, 2019					469,474			469,474	(8,451)	461,023
Other comprehensive income for the nine months ended September 30, 2019						(39,443)		(39,443)	(169)	(39,612)
Total comprehensive income	-	-	-	-	469,474	(39,443)	-	430,031	(8,620)	421,411
Balance as of September 30, 2019	<u>\$ 2,091,197</u>	<u>\$ 1,342,368</u>	<u>\$ 882,821</u>	<u>\$ 166,117</u>	<u>\$ 2,892,816</u>	<u>\$ (198,960)</u>	<u>\$ (6,600)</u>	<u>\$ 7,169,759</u>	<u>\$ 110,591</u>	<u>\$ 7,280,350</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		(4,852)						(4,852)		(4,852)
Cash dividends from capital surplus		(271,855)						(271,855)		(271,855)
Changes in other capital surplus		95						95		95
Net income for the nine months ended September 30, 2020					563,617			563,617	9,302	572,919
Other comprehensive income for the nine months ended September 30, 2020						(26,449)		(26,449)	(87)	(26,536)
Total comprehensive income	-	-	-	-	563,617	(26,449)	-	537,168	9,215	546,383
Balance as of September 30, 2020	<u>\$ 2,091,197</u>	<u>\$ 1,066,147</u>	<u>\$ 939,900</u>	<u>\$ 230,993</u>	<u>\$ 3,184,860</u>	<u>\$ (250,842)</u>	<u>\$ (6,600)</u>	<u>\$ 7,255,655</u>	<u>\$ 115,782</u>	<u>\$ 7,371,437</u>

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

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

	Nine Months Ended September 30	
	2020	2019
Cash flows from operating activities:		
Income before income tax	\$ 704,893	\$ 599,080
Adjustments:		
Non-cash income and expense items:		
Depreciation	225,961	244,955
Amortization	15,224	18,639
Expected credit gains	(4,604)	(429)
Net loss on financial assets (liabilities) at fair value through profit or loss	7,172	215
Interest expense	16,047	13,966
Interest income	(6,423)	(10,800)
Share of loss of associates accounted for under the equity method	10,904	12,439
(Gain) loss on disposal of property, plant and equipment	(14)	28,961
Gain on disposal of non-current assets held for sale	(32,022)	-
Impairment loss for non-financial assets	-	18,197
Others	11,240	9,292
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets mandatorily at fair value through profit or loss	3,248	(3,178)
Decrease in notes receivable	144,637	476,099
(Increase) decrease in accounts receivable	(506,937)	765,749
(Increase) decrease in other receivables	(26,574)	17,771
(Increase) decrease in inventories	(176,753)	151,984
Increase in prepayments	(14,286)	(38,763)
Increase in other current assets	(2,405)	-
(Increase) decrease in other non-current assets	(1,355)	1,856
Increase (decrease) in contract liabilities	2,316	(928)
Increase (decrease) in notes payable	12	(65,414)
Increase (decrease) in accounts payable	721,630	(821,298)
Increase (decrease) in other payables	79,024	(101,043)
Increase (decrease) in other current liabilities	796	(4,827)
Increase in net defined benefit liabilities	5,397	4,683
Cash generated from operations	<u>1,177,128</u>	<u>1,317,206</u>
Interest received	6,547	12,207
Interest paid	(12,671)	(14,381)
Income tax paid	<u>(31,240)</u>	<u>(267,499)</u>
Net cash generated by operating activities	<u>1,139,764</u>	<u>1,047,533</u>

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

(Continued)

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

	Nine Months Ended September 30	
	2020	2019
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	\$ (124,067)	\$ -
Acquisition of investments accounted for under the equity method	(12,517)	(10,000)
Disposal of non-current assets held for sale	441,632	-
Acquisition of property, plant and equipment	(441,008)	(558,428)
Disposal of property, plant and equipment	15	18,316
Increase in refundable deposits	(8,349)	-
Decrease in refundable deposits	-	49
Acquisition of intangible assets	(7,754)	(22,238)
Increase in other current assets - other financial assets - current	(40)	(19,000)
Dividends received	-	1,444
Net cash used in investing activities	<u>(152,088)</u>	<u>(589,857)</u>
Cash flows from financing activities:		
Decrease in short-term loans	(412,994)	(612,054)
Increase in long-term loans	-	945,381
Repayment of long-term loans	(361,195)	-
Distribution of cash dividends	(522,799)	(522,799)
Decrease in guarantee deposits received	(215,774)	-
Decrease in payables	95	-
Repayment of lease principal	(17,624)	(12,913)
Net cash used in financing activities	<u>(1,530,291)</u>	<u>(202,385)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(18,447)</u>	<u>(32,626)</u>
Net (decrease) increase in cash and cash equivalents	(561,062)	222,665
Cash and cash equivalents at beginning of period	2,584,521	1,862,586
Cash and cash equivalents at end of period	<u>\$ 2,023,459</u>	<u>\$ 2,085,251</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 Nine Months Ended September 30, 2020 and 2019 and the Year Ended December 31, 2019

(Numbers for the Nine Months Ended September 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 nine months ended September 30, 2020 and 2019 were approved and authorized for issue in the Board of Directors’ meeting on October 29, 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 or amended standards and interpretations issued by International Accounting Standards Board (IASB) but not yet endorsed by FSC:

No.	Projects of New or Amended Standards and 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
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phase 2	January 1, 2021

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 and 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.

D. Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments address the effects of interest rate benchmark reform on financial reporting, including:

- (a) For cash flow changes required by the reform, the carrying amount of financial instruments does not have to be derecognized or adjusted. Instead, the effective interest rate is updated to reflect changes to the alternative benchmark rate;
- (b) Where the hedge still meets the hedge accounting criteria, the hedge accounting will not be discontinued merely due to changes required by the reform; and
- (c) Information concerning new risks arising from the reform and how the transition to alternative benchmark rates is managed is required to be disclosed.

For the aforementioned standards and 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 or amended standards and 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 nine months ended September 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.

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

(Reviewed, not Audited)

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

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. Unless otherwise stated, the numbers within are expressed in thousands of New Taiwan dollars.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

The Group adopts the same preparation principle as the one used in the preparation of consolidated financial statements for the year ended December 31, 2019. Please refer to the consolidated financial statements for the year ended December 31, 2019 for details.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Percentage of Ownership		
			2020.9.30	2019.12.31	2019.9.30
The Company	Taistar Co., Ltd. (Taistar)	Investment holding	100.00%	100.00%	100.00%
The Company	Leadmax Ltd. (Leadmax)	Trading of electronic materials	100.00%	100.00%	100.00%
The Company	Koatech Technology Corporation (Koatech)	Manufacturing and selling of electronic materials and components	53.86%	53.86%	53.86%
The Company	TFS Co., Ltd. (TFS)	Investment holding	100.00%	100.00%	100.00%
The Company	Taiflex Scientific Japan Co., Ltd. (Japan Taiflex)	Trading 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%	62.18%
The Company	Taichem Materials Co., Ltd. (Taichem Materials)	Manufacturing and selling of semiconductor materials	100.00% (Note 1)	-	-
Taistar	TSC International Ltd. (TSC)	Investment holding	100.00%	100.00%	100.00%
TSC	Kunshan Taiflex Electronic Co., Ltd. (Kunshan Taiflex Electronic)	Manufacturing and selling of coating materials for high polymer film and copper foil	100.00% (Note 2)	100.00%	100.00%
TFS	Richstar Co., Ltd. (Richstar)	Investment holding	30.71%	33.71%	37.82%
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%

(Continued)

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

(Reviewed, not Audited)

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

Investor	Subsidiary	Main Business	Percentage of Ownership		
			2020.9.30	2019.12.31	2019.9.30
Koatech	KTC Global Co., Ltd. (KTC Global)	Investment holding	100.00%	100.00%	100.00%
KTC Global	KTC PanAsia Co., Ltd. (KTC PanAsia)	Investment holding	100.00%	100.00%	100.00%
KTC PanAsia	Kunshan Koatech Technology Corporation (Kunshan Koatech)	A wholesaler and a commission agent of electronic materials and components	100.00%	100.00%	100.00%

(Concluded)

Note 1: The Company spun off its operation in the manufacturing and selling of semiconductor materials to Taichem Materials and acquired 100% of the company on September 30, 2020.

Note 2: Taiflex Scientific (Kunshan) Co., Ltd. was renamed Kunshan Taiflex Electronic Co., Ltd. on September 1, 2020.

- (4) Except for the following accounting policies, the consolidated financial statements for the nine months ended September 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.

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.

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 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.

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.

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 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.

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 nine months ended September 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

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand and petty cash	\$ 672	\$ 702	\$ 618
Bank deposits	2,022,787	2,583,819	2,084,633
Total	<u>\$ 2,023,459</u>	<u>\$ 2,584,521</u>	<u>\$ 2,085,251</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)

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

	September 30, 2020	December 31, 2019	September 30, 2019
Mandatorily at fair value through profit or loss:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 1,530	\$ 3,150	\$ 8,432
- Foreign exchange swap contracts	-	-	140
Stocks	32,083	34,981	28,263
Total	<u>\$ 33,613</u>	<u>\$ 38,131</u>	<u>\$ 36,835</u>

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

(3) Financial assets at amortized cost – current

	September 30, 2020	December 31, 2019	September 30, 2019
Time deposits – current	\$ 79,800	\$ 49,000	\$ -
Restricted bank deposits	93,267	-	-
Total	<u>\$ 173,067</u>	<u>\$ 49,000</u>	<u>\$ -</u>

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

Pursuant to the “Regulations on Industries Investment from Repatriated Offshore Funds”, the Group has been approved by the National Taxation Bureau, Ministry of Finance; and 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

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable, net	<u>\$ 604,014</u>	<u>\$ 748,651</u>	<u>\$ 741,920</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

	September 30, 2020	December 31, 2019	September 30, 2019
Accounts receivable	\$ 3,154,623	\$ 2,647,687	\$ 2,989,981
Less: Loss allowance	(51,103)	(56,168)	(76,695)
Accounts receivable, net	<u>\$ 3,103,520</u>	<u>\$ 2,591,519</u>	<u>\$ 2,913,286</u>

A. The Group's accounts receivables 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)

- 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\$3,154,623 thousand, NT\$2,647,687 thousand and NT\$2,989,981 thousand as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively. Please refer to Note 6(20) for loss allowance for the nine months ended September 30, 2020 and 2019 and Note 12 for credit risk.
- C. The Group entered into factoring agreements without recourse with banks for accounts receivable selected. The Group had no factoring agreements as of December 31, 2019 and September 30, 2019 and details as of September 30, 2020 were as follows:

September 30, 2020				
Factor	Amount of Accounts Receivable	Amount of Factoring	Condition	Unreceived Amount (Recorded as Other Receivables)
CTBC Bank	US\$3,583 thousand	US\$3,583 thousand	Without recourse	-
Taishin International Bank	US\$6,186 thousand	US\$6,186 thousand	Without recourse	-

(6) Inventories

	September 30, 2020	December 31, 2019	September 30, 2019
Raw materials	\$ 526,603	\$ 257,685	\$ 485,024
Inventories in transit	54,174	46,876	45,515
Supplies	17,083	6,777	6,198
Work in process	87,227	66,861	51,244
Finished goods	243,673	322,585	445,997
Merchandise	175,581	237,782	269,137
Total	\$ 1,104,341	\$ 938,566	\$ 1,303,115

The Group recognized NT\$1,998,123 thousand, NT\$1,608,927 thousand, NT\$4,860,557 thousand and NT\$4,373,063 thousand of operating costs associated with inventories for the three months and nine months ended September 30, 2020 and 2019, respectively. Inventory valuation loss for inventories written down to their net realizable value amounted to NT\$4,294 thousand for the nine months ended September 30, 2020. For the three months ended September 30, 2020 and 2019 and the nine months ended September 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\$2,809 thousand, NT\$964 thousand and NT\$9,811 thousand, respectively.

The aforementioned inventories were not pledged.

(7) Non-current assets held for sale

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Non-current assets held for sale</u>			
Property, plant and equipment	\$ -	\$ 447,114	\$ -
Right-of-use assets	-	18,545	-
Other non-current assets	-	7,780	-
Total	\$ -	\$ 473,439	\$ -

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 subsidiary, Kunshan Taiflex Electronic Co., Ltd., had resolved to sold its property, plant and equipment, right-of use assets - land and other non-current assets to a non-related party, Flexium Interconnect (Kunshan) Inc., in the Board of Directors' meeting on December 12, 2019. Thus, these assets were classified as non-current assets held for sale. The handover of these property, plant and equipment, right-of use assets - land and other non-current assets was completed in the third quarter of 2020 with proceeds of RMB 138,710 thousand (approximately NT\$590,835 thousand. The net proceeds were NT\$482,187 thousand, after deducting relevant expenses and land value increment tax.) As of September 30, 2020, the uncollected amount was RMB 9,521 thousand (approximately NT\$40,555 thousand and recognized under other receivables). As of the date of this financial report, RMB 7,521 thousand had been collected with the final payment still pending for collection.

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

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

The said financial assets at fair value through other comprehensive income were not pledged. As of September 30, 2020, the unrealized valuation loss on financial assets at fair value through other comprehensive income was fully recognized upon evaluation under valuation adjustment of equity instrument investments at fair value through other comprehensive income. Please refer to Table 3 for details.

(9) Investments accounted for under the equity method

	September 30, 2020		December 31, 2019		September 30, 2019	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in associates:						
Innovision FlexTech Corp.	\$ 31,292	15.07%	\$ 36,218	15.07%	\$ 40,073	15.07%
Geckos Technology Corp.	14,939	42.08%	13,252	31.24%	7,876	33.22%
Total	\$ 46,231		\$ 49,470		\$ 47,949	

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Investee				
Innovision FlexTech Corp.	\$ 462	\$ (4,187)	\$ (4,939)	\$ (9,983)
Geckos Technology Corp.	(1,999)	(1,127)	(5,965)	(2,456)
Total	\$ (1,537)	\$ (5,314)	\$ (10,904)	\$ (12,439)

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 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. Determinant on having only significant influence: Although the Group owns 42.08% of the voting power of Geckos Technology Corp., the other shareholders enjoy the advantage of relative majority in directing activities of the investee. Therefore, instead of control, the Group has only significant influence over Geckos Technology Corp.
- D. The summarized financial information of the Group's investments in associates was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Total assets	\$ 472,116	\$ 538,417	\$ 540,093
Total liabilities	\$ 241,274	\$ 274,106	\$ 264,088

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Revenue	\$ 62,869	\$ 39,452	\$ 131,810	\$ 97,335
Net loss	\$ (1,686)	\$ (31,281)	\$ (48,244)	\$ (75,157)

(10) Property, plant and equipment

	September 30, 2020	December 31, 2019	September 30, 2019
Owner-occupied property, plant and equipment	\$ 3,214,751	\$ 2,993,090	\$ 3,303,608

A. Owner-occupied property, plant and equipment

	As of January 1, 2020	Additions	Disposals	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of September 30, 2020
<u>Cost</u>							
Land	\$ 100,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,843
Buildings	1,257,430	6,000	-	20,189	-	-	1,283,619
Machinery and equipment	2,701,055	152,072	(8,664)	99,295	-	(1,502)	2,942,256
Hydropower equipment	383,262	50,733	(231)	3,324	-	(25)	437,063
Testing equipment	352,147	27,947	(4,023)	5,614	-	(91)	381,594
Miscellaneous equipment	354,851	14,839	(1,430)	12,724	-	(212)	380,772
Total	<u>\$ 5,149,588</u>	<u>\$ 251,591</u>	<u>\$ (14,348)</u>	<u>\$ 141,146</u>	<u>\$ -</u>	<u>\$ (1,830)</u>	<u>\$ 5,526,147</u>

Accumulated
depreciation and
impairment

Buildings	\$ 417,369	\$ 39,992	\$ -	\$ -	\$ -	\$ -	\$ 457,361
Machinery and equipment	1,795,763	120,200	(8,664)	(17,139)	-	(226)	1,889,934

(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 September 30, 2020
Hydropower equipment	\$ 228,887	\$ 10,676	\$ (231)	\$ -	\$ -	-	\$ 239,332
Testing equipment	167,139	23,766	(4,023)	-	-	(10)	186,872
Miscellaneous equipment	262,713	13,966	(1,429)	-	-	(73)	275,177
Total	<u>\$2,871,871</u>	<u>\$ 208,600</u>	<u>\$ (14,347)</u>	<u>\$ (17,139)</u>	<u>\$ -</u>	<u>\$ (309)</u>	<u>\$3,048,676</u>
Construction in progress and equipment awaiting inspection	715,373	169,656	-	(141,858)	-	(5,891)	737,280
Net	<u>\$2,993,090</u>						<u>\$3,214,751</u> (Concluded)
	As of January 1, 2019	Additions	Disposals	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of September 30, 2019
<u>Cost</u>							
Land	\$ 100,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,843
Buildings	1,692,479	4,146	-	18,894	-	(11,890)	1,703,629
Machinery and equipment	2,711,297	103,962	(65,966)	104,536	-	(8,397)	2,845,432
Hydropower equipment	485,254	3,895	(72,398)	24,993	-	(1,705)	440,039
Testing equipment	296,469	12,622	(5,599)	40,458	-	(479)	343,371
Miscellaneous equipment	380,600	5,265	(46,231)	2,929	-	(793)	341,770
Total	<u>\$ 5,666,942</u>	<u>\$ 129,890</u>	<u>\$ (191,294)</u>	<u>\$ 191,810</u>	<u>\$ -</u>	<u>\$ (23,264)</u>	<u>\$ 5,775,084</u>
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 538,473	\$ 54,454	\$ -	\$ -	\$ -	\$ (4,847)	\$ 588,080
Machinery and equipment	1,787,283	124,123	(39,181)	-	18,197	(7,537)	1,882,885
Hydropower equipment	298,923	14,672	(55,030)	-	-	(1,082)	257,483
Testing equipment	145,408	21,332	(5,056)	-	-	(331)	161,353
Miscellaneous equipment	289,430	13,677	(43,574)	(62)	-	(571)	258,900
Total	<u>\$ 3,059,517</u>	<u>\$ 228,258</u>	<u>\$ (142,841)</u>	<u>\$ (62)</u>	<u>\$ 18,197</u>	<u>\$ (14,368)</u>	<u>\$ 3,148,701</u>
Construction in progress and equipment awaiting inspection	411,218	466,023	-	(195,489)	-	(4,527)	677,225
Net	<u>\$ 3,018,643</u>						<u>\$ 3,303,608</u>

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

(11) Intangible assets

	September 30, 2020	December 31, 2019	September 30, 2019
Trademarks	\$ 268	\$ 312	\$ 327
Patents	8,003	8,284	8,147
Software cost	42,976	48,730	49,461
Goodwill	69,781	69,781	69,781
Total	<u>\$ 121,028</u>	<u>\$ 127,107</u>	<u>\$ 127,716</u>

	As of January 1, 2020	Additions	Reclassification	Effect of Exchange Rate Changes	As of September 30, 2020
<u>Cost</u>					
Trademarks	\$ 691	\$ -	\$ -	\$ -	\$ 691
Patents	47,336	341	-	-	47,677
Software cost	165,294	7,413	418	1,118	174,243
Goodwill	69,781	-	-	-	69,781
Total	<u>\$ 283,102</u>	<u>\$ 7,754</u>	<u>\$ 418</u>	<u>\$ 1,118</u>	<u>\$ 292,392</u>

Accumulated amortization
and impairment

Trademarks	\$ 379	\$ 44	\$ -	\$ -	\$ 423
Patents	39,052	622	-	-	39,674
Software cost	116,564	13,523	-	1,180	131,267
Total	<u>155,995</u>	<u>\$ 14,189</u>	<u>\$ -</u>	<u>\$ 1,180</u>	<u>171,364</u>
Net	<u>\$ 127,107</u>				<u>\$ 121,028</u>

	As of January 1, 2019	Additions	Reclassification	Effect of Exchange Rate Changes	As of September 30, 2019
<u>Cost</u>					
Trademarks	\$ 672	\$ 19	\$ -	\$ -	\$ 691
Patents	45,022	1,978	-	-	47,000
Software cost	138,319	20,241	3,441	21	162,022
Goodwill	69,781	-	-	-	69,781
Total	<u>\$ 253,794</u>	<u>\$ 22,238</u>	<u>\$ 3,441</u>	<u>\$ 21</u>	<u>\$ 279,494</u>

Accumulated amortization
and impairment

Trademarks	\$ 318	\$ 46	\$ -	\$ -	\$ 364
Patents	38,174	679	-	-	38,853
Software cost	100,594	11,836	-	131	112,561
Total	<u>139,086</u>	<u>\$ 12,561</u>	<u>\$ -</u>	<u>\$ 131</u>	<u>151,778</u>
Net	<u>\$ 114,708</u>				<u>\$ 127,716</u>

(12) Other non-current assets

	September 30, 2020	December 31, 2019	September 30, 2019
Refundable deposits	\$ 24,838	\$ 16,489	\$ 16,830
Other non-current assets - other	1,489	1,180	10,104
Total	<u>\$ 26,327</u>	<u>\$ 17,669</u>	<u>\$ 26,934</u>

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

(Reviewed, not Audited)

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

(13) Impairment testing of goodwill

Goodwill acquired through business combinations was allocated to each of the cash generating unit (CGUs) which were expected to benefit from synergies, 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

	September 30, 2020	December 31, 2019	September 30, 2019
Unsecured bank loans	\$ 327,006	\$ 740,000	\$ 750,000

The interest rate ranges of loans were 0.73% to 1.20%, 0.76% to 1.80% and 0.75% to 1.89% and the unused short-term credit facilities amounted to NT\$3,056,318 thousand, NT\$2,726,471 thousand and NT\$2,525,275 thousand as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

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

	September 30, 2020	December 31, 2019	September 30, 2019
Held for trading:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 6,046	\$ 278	\$ 90
- Foreign exchange swap contracts	200	66	-
Total	\$ 6,246	\$ 344	\$ 90

(16) Long-term loans

	September 30, 2020	December 31, 2019	September 30, 2019
Secured loans	\$ 123,370	\$ 34,565	\$ 37,313
Revolving loans	450,000	900,000	1,250,000
Syndicated loans	-	-	-
Total	573,370	934,565	1,287,313
Less: current portion	-	(11,009)	(10,958)
Less: unamortized syndicated loan fee	-	-	-
Net	\$ 573,370	\$ 923,556	\$ 1,276,355

A. The interest rate ranges of loans were 0.8% to 1.20%, 0.83% to 1.79% and 0.83% to 1.79% as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

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

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

(Reviewed, not Audited)

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

- 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 loan was terminated in January 2020.
- D. In July 2020, the Group entered into a syndicated loan agreement with eight 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 contract term was five years from the initial drawdown date 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.

(17) Post-employment benefit plans

A. Defined contribution plan

Expenses under the defined contribution plan were NT\$6,685 thousand and NT\$6,457 thousand for the three months ended September 30, 2020 and 2019, respectively; and NT\$19,460 thousand and NT\$19,639 thousand for the nine months ended September 30, 2020 and 2019, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan were NT\$2,490 thousand and NT\$2,264 thousand for the three months ended September 30, 2020 and 2019, respectively; and NT\$7,470 thousand and NT\$6,792 thousand for the nine months ended September 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 September 30, 2020, December 31, 2019 and September 30, 2019.
- (b) The Company's issued capital was NT\$2,091,197 thousand, divided into 209,120 thousand shares each at a par value of NT\$10 as of September 30, 2020, December 31, 2019 and September 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. Capital surplus

	September 30, 2020	December 31, 2019	September 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	107,918	112,675	112,284
Total	<u>\$ 1,066,147</u>	<u>\$ 1,342,759</u>	<u>\$ 1,342,368</u>

According to laws and regulations, capital surplus shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute capital surplus related to income derived from 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 shareholders in proportion to the number of shares being held by each of them.

C. Appropriation of profits and dividend policies

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

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

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

Following the adoption of IFRS, the Company complies with Order No. Jin-Guan-Zheng-Fa-1010012865 issued by the FSC on April 6, 2012, which sets out the following provisions: On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount

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

(Reviewed, not Audited)

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

of special capital reserve. Following a company's adoption of the IFRS for the preparation of its financial reports, when distributing distributable earnings, if the company has already set aside special capital reserve according to the requirements in the preceding point, it shall set aside supplemental special capital reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of September 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)

	Nine Months Ended September 30	
	2020	2019
Beginning balance	\$ 106,567	\$ 119,211
Net income (loss) attributable to NCI	9,302	(8,451)
Other comprehensive income attributable to NCI:		
Exchange differences arising on translation of foreign operations	(87)	(169)
Ending balance	\$ 115,782	\$ 110,591

(19) Revenue

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Sale of goods	\$ 2,672,412	\$ 2,173,576	\$ 6,342,104	\$ 5,624,458

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:

	September 30, 2020	December 31, 2019	September 30, 2019	December 31, 2018
Contract liabilities - current				
Sale of goods	\$ 3,400	\$ 1,084	\$ 1,444	\$ 2,372

Beginning balance of contract liabilities reclassified to revenue amounted to NT\$1,074 thousand and NT\$2,370 thousand for the nine months ended September 30, 2020 and 2019, respectively.

(20) Expected credit gains

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Operating expenses – Expected credit gains				
Accounts receivable	\$ (762)	\$ (87)	\$ (4,604)	\$ (429)

Please refer to Note 12 for information concerning credit risk.

For receivables (including notes and accounts receivables), the Group measured the loss allowance at an amount equal to lifetime expected credit losses. The assessment on the loss allowance as of September 30, 2020, December 31, 2019 and September 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:

September 30, 2020

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 3,682,774	\$ 49,301	\$ -	\$ 26,562	\$ 3,758,637
Loss ratio	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	22,718	2,084	-	26,301	51,103
Subtotal	\$ 3,660,056	\$ 47,217	\$ -	\$ 261	\$ 3,707,534

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)

September 30, 2019

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 3,568,497	\$ 79,980	\$ 18,309	\$ 65,115	\$ 3,731,901
Loss ratio	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	14,492	6,633	3,898	51,672	76,695
Subtotal	<u>\$ 3,554,005</u>	<u>\$ 73,347</u>	<u>\$ 14,411</u>	<u>\$ 13,443</u>	<u>\$ 3,655,206</u>

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

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

	Receivables
Balance as of January 1, 2020	\$ 56,168
Reversal in the current period	(4,604)
Write off	-
Effect of exchange rate changes	(461)
Balance as of September 30, 2020	<u>\$ 51,103</u>
	Receivables
Balance as of January 1, 2019	\$ 77,758
Reversal in the current period	(429)
Write off	(126)
Effect of exchange rate changes	(508)
Balance as of September 30, 2019	<u>\$ 76,695</u>

(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 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

	September 30, 2020	December 31, 2019	September 30, 2019
Land	\$ 351,476	\$ 355,924	\$ 378,155
Buildings	8,877	6,081	7,451
Transportation equipment	13,173	17,439	14,265
Total	<u>\$ 373,526</u>	<u>\$ 379,444</u>	<u>\$ 399,871</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's right-of-use assets increased by NT\$11,250 thousand and NT\$8,490 thousand for the nine months ended September 30, 2020 and 2019, respectively.

(ii) Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
Current	\$ 14,951	\$ 15,744	\$ 14,997
Non-current	252,136	252,171	251,941
Lease liabilities	<u>\$ 267,087</u>	<u>\$ 267,915</u>	<u>\$ 266,938</u>

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

(b) Amounts recognized in the statements of comprehensive income

Depreciation of right-of-use assets

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Land	\$ 2,107	\$ 2,256	\$ 6,318	\$ 6,807
Buildings	1,628	1,337	5,012	4,084
Transportation equipment	1,892	1,991	6,031	5,806
Total	<u>\$ 5,627</u>	<u>\$ 5,584</u>	<u>\$ 17,361</u>	<u>\$ 16,697</u>

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Expense of short-term leases	\$ 3,285	\$ 4,212	\$ 11,214	\$ 13,736
Expense of leases of low value assets (excluding short-term leases of low value assets)	202	157	592	658

The Group recognized NT\$305 thousand and NT\$508 thousand of rent concessions as a direct consequence of COVID-19 in profit or loss for the three months and nine months ended September 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\$17,624 thousand and NT\$12,913 thousand for the nine months ended September 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 September 30					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	119,533	111,631	231,164	114,573	100,908	215,481
Labor and health insurance	10,063	7,109	17,172	9,744	7,471	17,215
Pension	5,265	3,910	9,175	5,057	3,664	8,721
Remuneration to directors	-	8,652	8,652	-	5,638	5,638
Other employee benefits expense	11,682	6,429	18,111	9,903	6,181	16,084
Depreciation	71,657	6,082	77,739	73,165	6,698	79,863
Amortization	1,153	4,082	5,235	1,773	3,357	5,130

Function Nature	Nine Months Ended September 30					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	312,808	271,677	584,485	282,780	281,268	564,048
Labor and health insurance	28,770	19,967	48,737	29,407	21,781	51,188
Pension	15,410	11,520	26,930	15,336	11,095	26,431
Remuneration to directors	-	15,358	15,358	-	13,094	13,094
Other employee benefits expense	30,262	16,437	46,699	30,362	18,421	48,783
Depreciation	207,618	18,343	225,961	224,378	20,577	244,955
Amortization	3,574	11,650	15,224	6,754	11,886	18,639

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 nine months ended September 30, 2020 and 2019 were as follows:

	Nine Months Ended September 30	
	2020	2019
Compensation to employees	\$ 54,933	\$ 48,946
Remuneration to directors	15,021	13,385

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 September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Interest income	\$ 1,257	\$ 3,549	\$ 6,423	\$ 10,800

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 September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Insurance claim income (Note)	\$ -	\$ -	\$ -	\$ 134,553
Other income	6,443	11,670	17,560	75,887
Total	<u>\$ 6,443</u>	<u>\$ 11,670</u>	<u>\$ 17,560</u>	<u>\$ 210,440</u>

(Note): A fire broke out in the Group's subsidiary, Kunshan Taiflex Electronic 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 September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Gain (loss) on disposal of property, plant and equipment	\$ (1)	\$ (11)	\$ 14	\$ (28,961)
Gain on disposal of non-current assets held for sale	32,022	-	32,022	-
Foreign exchange gain (loss), net	617	(68,193)	(50,110)	(31,603)
Gain on reversal/(loss) of impairment for non-financial assets	-	155	-	(18,197)
Gain/(loss) on financial assets (liabilities) at fair value through profit or loss, net	(12,773)	14,729	(7,172)	(215)
Other losses	(306)	(611)	(1,198)	(2,205)
Total	<u>\$ 19,559</u>	<u>\$ (53,931)</u>	<u>\$ (26,444)</u>	<u>\$ (81,181)</u>

D. Finance costs

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Interest on bank borrowings	\$ (4,763)	\$ (4,784)	\$ (12,226)	\$ (10,407)
Interest on lease liabilities	(1,246)	(956)	(3,821)	(3,559)
Total	<u>\$ (6,009)</u>	<u>\$ (5,740)</u>	<u>\$ (16,047)</u>	<u>\$ (13,966)</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)

E. Components of other comprehensive income

For the three months ended September 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	\$ 35,537	\$ -	\$ 35,537	\$ (7,107)	\$ 28,430

For the three months ended September 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	\$ (74,307)	\$ -	\$ (74,307)	\$ 14,862	\$ (59,445)

For the nine months ended September 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	\$ (33,171)	\$ -	\$ (33,171)	\$ 6,635	\$ (26,536)

For the nine months ended September 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	\$ (49,515)	\$ -	\$ (49,515)	\$ 9,903	\$ (39,612)

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 September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Current income tax expense:				
Current income tax expense	\$ 69,823	\$ 59,058	\$ 159,614	\$ 167,369
Income tax adjustments on prior years	(9,404)	1,594	(14,549)	(3,678)
Separate taxation for repatriated offshore funds	-	-	11,411	-
Effect of exchange rate changes	76	431	375	534
Deferred income tax expense (benefit):				
Income tax expense (benefit) relating to origination and reversal of temporary differences	15,783	(7,243)	(24,877)	(26,168)
Income tax expense	<u>\$ 76,278</u>	<u>\$ 53,840</u>	<u>\$ 131,974</u>	<u>\$ 138,057</u>

Income tax recognized in other comprehensive income

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Deferred income tax expense (benefit):				
Exchange differences arising on translation of foreign operations	\$ 7,107	\$ (14,862)	\$ (6,635)	\$ (9,903)
Income tax relating to components of other comprehensive income	<u>\$ 7,107</u>	<u>\$ (14,862)</u>	<u>\$ (6,635)</u>	<u>\$ (9,903)</u>

B. The assessment of income tax returns:

As of September 30, 2020, the assessment of the Group's income tax returns in ROC was as follows:

	<u>Assessment of Income Tax Returns</u>
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 September 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	\$ 312,905	209,120	<u>\$ 1.50</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)

	Three Months Ended September 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	-	641	
Net income attributable to common shareholders of the parent and effect of potential common stocks	\$ 312,905	209,761	\$ 1.49 (Concluded)

	Three Months Ended September 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	\$ 195,438	209,120	\$ 0.93
<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	\$ 195,438	209,600	\$ 0.93

	Nine Months Ended September 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	\$ 563,617	209,120	\$ 2.70
<u>Diluted earnings per share</u>			
Effect of dilutive potential common stocks			
Employee compensation – stock	-	1,121	
Net income attributable to common shareholders of the parent and effect of potential common stocks	\$ 563,617	210,241	\$ 2.68

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

(Reviewed, not Audited)

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

	Nine Months Ended September 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	\$ 469,474	209,120	\$ 2.25
<u>Diluted earnings per share</u>			
Effect of dilutive potential common stocks			
Employee compensation – stock	-	1,150	
Net income attributable to common shareholders of the parent and effect of potential common stocks	\$ 469,474	210,270	\$ 2.23

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

	September 30, 2020	December 31, 2019	September 30, 2019
Associates	\$ 173	\$ –	\$ –

(2) Other payables – related parties

	September 30, 2020	December 31, 2019	September 30, 2019
Substantive related parties	\$ 1,773	\$ 7,932	\$ -

(3) Property transaction

Acquisition of property, plant and equipment

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Substantive related parties	\$ 4,618	\$ -	\$ 10,117	\$ 675

Acquisition of intangible assets

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Substantive related parties	\$ 281	\$ -	\$ 682	\$ -

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

(Reviewed, not Audited)

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

Proceeds from sales of property, plant and equipment

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Associates	\$ -	\$ -	\$ 15	\$ -

Gain on sales of property, plant and equipment

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Associates	\$ -	\$ -	\$ 15	\$ -

(4) Others

Rent income

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Associates	\$ 450	\$ -	\$ 1,350	\$ -

Rents were determined through negotiation based on market prices. The collection term of rents from related parties were comparable with ones from non-related parties. Rents were collected on a monthly basis.

(5) Compensation to key management of the Group

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 20,020	\$ 26,160	\$ 42,830	\$ 61,321
Post-employment benefits	129	134	429	434
Total	\$ 20,149	\$ 26,294	\$ 43,259	\$ 61,755

8. Pledged Assets

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

	Carrying Amount			Purpose of Pledge
	September 30, 2020	December 31, 2019	September 30, 2019	
Time deposits (Note)	\$ 20,071	\$ 20,031	\$ 39,413	Customs guarantee
Land	100,843	100,843	100,843	Long-term loans
Buildings	93,893	96,750	97,801	Letter of credit, short-term credit facilities and long-term loans
Total	\$ 214,807	\$ 217,624	\$ 238,057	

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

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. Significant Contingent liabilities and Unrecognized Contract Commitments

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

	L/C Balance	
JPY	JPY	30,000 thousand
USD	US\$	7,698 thousand

10. Significant Disaster Loss

None.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets at fair value through profit or loss:			
Mandatorily at fair value through profit or loss	\$ 33,613	\$ 38,131	\$ 36,835
Financial assets at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	2,022,787	2,583,819	2,084,633
Financial assets at amortized cost	173,067	49,000	-
Receivables	3,802,015	3,367,646	3,690,633
Other financial assets - current	20,071	20,031	39,413

Financial liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
Financial liabilities at fair value through profit or loss:			
Held for trading	\$ 6,246	\$ 344	\$ 90
Financial liabilities at amortized cost:			
Short-term loans	327,006	740,000	750,000
Payables	2,169,714	1,389,254	1,428,103
Long-term loans (including current portion)	573,370	934,565	1,287,313
Lease liabilities (current and non-current)	267,087	267,915	266,938

(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

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

(Reviewed, not Audited)

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

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.

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.

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 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 nine months ended September 30, 2020 and 2019 to increase/decrease by NT\$1,604 thousand and NT\$1,413 thousand, respectively.

D. Pre-tax sensitivity analysis was as follows:

For the nine months ended September 30, 2020

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ 14,134 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ 502 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- 1,295 thousand

For the nine months ended September 30, 2019

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ 18,506 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ 598 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- 48 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.

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

(Reviewed, not Audited)

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

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
<u>September 30, 2020</u>					
Borrowings	\$ 327,251	\$ 350,000	\$ 223,370	\$ -	\$ 900,621
Payables	2,169,714	-	-	-	2,169,714
Lease liabilities	14,951	18,223	12,312	221,601	267,087
<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>September 30, 2019</u>					
Borrowings	\$ 762,125	\$ 976,355	\$ 300,000	\$ -	\$ 2,038,480
Payables	1,428,103	-	-	-	1,428,103
Lease liabilities	14,997	18,464	10,399	223,078	266,938

Derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
<u>September 30, 2020</u>					
Inflows	\$ 738,139	\$ -	\$ -	\$ -	\$ 738,139
Outflows	743,268	-	-	-	743,268
Net	<u>\$ (5,129)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,129)</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>September 30, 2019</u>					
Inflows	\$ 35,607	\$ -	\$ -	\$ -	\$ 35,607
Outflows	35,773	-	-	-	35,773
Net	<u>\$ (166)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (166)</u>

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the nine months ended September 30, 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	(412,994)	(361,195)	(17,624)	(215,774)	(1,007,587)
Non-cash movement	-	-	16,796	-	16,796
As of September 30, 2020	<u>\$ 327,006</u>	<u>\$ 573,370</u>	<u>\$ 267,087</u>	<u>\$ 255</u>	<u>\$ 1,167,718</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)

Reconciliation of liabilities for the nine months ended September 30, 2019:

	Short-term Loans	Long-term Loans	Lease Liabilities	Guarantee Deposits Received	Total Liabilities from Financing Activities
As of January 1, 2019	\$1,362,054	\$ 341,932	\$ 273,779	\$ 255	\$ 1,978,020
Cash flows	(612,054)	945,381	(12,913)	—	320,414
Non-cash movement	—	—	6,072	—	6,072
As of September 30, 2019	<u>\$ 750,000</u>	<u>\$ 1,287,313</u>	<u>\$ 266,938</u>	<u>\$ 255</u>	<u>\$ 2,304,506</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:

- (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 September 30, 2020, December 31, 2019 and September 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:

Currency	Contract Period	Contract Amount (in thousands)
<u>September 30, 2020</u>		
Sell RMB/Buy NTD	2020.07~2021.02	RMB 90,000/NT\$ 376,493
Sell USD/Buy NTD	2020.07~2020.12	US\$ 11,000/NT\$ 321,217
<u>December 31, 2019</u>		
Sell RMB/Buy NTD	2019.10~2020.04	RMB 102,000/NT\$ 437,360
Sell USD/Buy NTD	2019.11~2020.02	US\$ 11,000/NT\$ 331,379
<u>September 30, 2019</u>		
Sell RMB/Buy NTD	2019.05~2020.01	RMB 96,000/NT\$ 422,865
Sell USD/Buy NTD	2019.07~2019.10	US\$ 6,000/NT\$ 187,228

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

Currency	Contract Period	Contract Amount (in thousands)	
<u>September 30, 2020</u>			
Sell RMB/Buy NTD	2020.08~2021.01	RMB	9,600/NT\$ 40,429
<u>December 31, 2019</u>			
Sell RMB/Buy NTD	2019.09~2020.04	RMB	9,600/NT\$ 41,044
<u>September 30, 2019</u>			
Sell RMB/Buy NTD	2019.08~2020.01	RMB	8,200/NT\$ 35,607

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

(9) Fair value hierarchy

A. Definition of fair value hierarchy

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

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

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

Level 3 inputs are unobservable inputs for the asset or liability

For assets and liabilities measured at a recurring basis, their categories shall be 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:

	Level 1	Level 2	Level 3	Total
<u>September 30, 2020</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 1,530	\$ -	\$ 1,530
Stocks	32,083	-	-	32,083

(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)

	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 6,046	\$ -	\$ 6,046
Foreign exchange swap contracts	-	200	-	200

December 31, 2019

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

September 30, 2019

Assets measured at fair value:

Financial assets at fair value through profit or loss

Forward foreign exchange contracts	\$ -	\$ 8,432	\$ -	\$ 8,432
Foreign exchange swap contracts	-	140	-	140
Stocks	28,263	-	-	28,263

Liabilities measured at fair value:

Financial liabilities at fair value through profit or loss

Forward foreign exchange contracts	-	90	-	90
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(Concluded)

For the nine months ended September 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:

	September 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	\$ 82,389	29.002	\$ 2,389,446	\$ 76,464	30.047	\$ 2,297,500
RMB	11,882	4.2595	50,611	58,552	4.3155	252,681

(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)

	September 30, 2020			December 31, 2019		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 33,650	29.002	\$ 975,917	\$ 15,014	30.047	\$ 451,124
JPY	360,063	0.2746	98,873	211,599	0.2764	58,486
						(Concluded)
	September 30, 2019					
	Foreign Currencies (in thousands)	Exchange Rate	NTD			
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 75,307	31.0330	\$ 2,337,002			
RMB	13,728	4.3625	59,888			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 15,667	31.0330	\$ 486,194			
JPY	211,216	0.2877	60,767			

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

As entities within the Group transact in various currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. The Group's foreign exchange gain (loss) amounted to NT\$617 thousand, NT\$(68,193) thousand, NT\$(50,110) thousand and NT\$(31,603) thousand for the three months and nine months ended September 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:

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

Factor	September 30, 2020			
	Amount Transferred	Cash Withdrawn	Interest Rate Range	Credit Line
CTBC Bank	US\$3,583	US\$3,583	0.84%~1.01%	US\$ 4,000
Taishin International Bank	US\$6,186	US\$6,186	0.75%~0.86%	NT\$690,000

The Group had no factoring agreements as of December 31, 2019 and September 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 September 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 nine months ended September 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 nine months ended September 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 nine months ended September 30, 2020: Please refer to Table 4.
- G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the nine months ended September 30, 2020: Please refer to Table 5.
- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of September 30, 2020: Please refer to Table 6.
- I. Direct or indirect significant influence or control over the investees for the nine months ended September 30, 2020 (excluding investments in China): Please refer to Table 7.
- J. Derivative financial instrument transactions: Please refer to Note 12.
- K. Others: intercompany relationships and significant intercompany transactions for the nine months ended September 30, 2020: Please refer to Table 9.

(2) Information on investments in Mainland China: Please refer to Table 8.

(3) Information on major shareholders: Please refer to Table 10.

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.

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

(Reviewed, not Audited)

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

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 September 30, 2020

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 1,732,184	\$ 940,228	\$ -	\$ 2,672,412
Inter-segment	556,520	273,422	(829,942)	-
Total revenue	<u>\$ 2,288,704</u>	<u>\$ 1,213,650</u>	<u>\$ (829,942)</u>	<u>\$ 2,672,412</u>
Segment income (loss) (before income tax)	<u>\$ 394,157</u>	<u>\$ 80,348</u>	<u>\$ (77,803)</u>	<u>\$ 396,702</u>

Note: Inter-segment revenues were eliminated upon consolidation.

For the three months ended September 30, 2019

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 1,445,084	\$ 728,492	\$ -	\$ 2,173,576
Inter-segment	582,228	5,809	(588,037)	-
Total revenue	<u>\$ 2,027,312</u>	<u>\$ 734,301</u>	<u>\$ (588,037)</u>	<u>\$ 2,173,576</u>
Segment income (loss) (before income tax)	<u>\$ 216,751</u>	<u>\$ (10,013)</u>	<u>\$ 39,420</u>	<u>\$ 246,158</u>

Note: Inter-segment revenues were eliminated upon consolidation.

For the nine months ended September 30, 2020

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 4,110,077	\$ 2,232,027	\$ -	\$ 6,342,104
Inter-segment	1,624,451	476,575	(2,101,026)	-
Total revenue	<u>\$ 5,734,528</u>	<u>\$ 2,708,602</u>	<u>\$ (2,101,026)</u>	<u>\$ 6,342,104</u>
Segment income (loss) (before income tax)	<u>\$ 681,359</u>	<u>\$ 56,260</u>	<u>\$ (32,726)</u>	<u>\$ 704,893</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 nine months ended September 30, 2019

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 3,724,015	\$ 1,900,443	\$ -	\$ 5,624,458
Inter-segment	1,608,853	45,165	(1,654,018)	-
Total revenue	<u>\$ 5,332,868</u>	<u>\$ 1,945,608</u>	<u>\$ (1,654,018)</u>	<u>\$ 5,624,458</u>
Segment income (loss) (before income tax)	<u>\$ 573,532</u>	<u>\$ (73,166)</u>	<u>\$ 98,714</u>	<u>\$ 599,080</u>

Note: Inter-segment revenues were eliminated upon consolidation.

Assets of the Group's operating segments as of September 30, 2020, December 31, 2019 and September 30, 2019 were summarized below:

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
As of September 30, 2020	<u>\$ 8,418,712</u>	<u>\$ 4,814,783</u>	<u>\$ (1,950,049)</u>	<u>\$ 11,283,446</u>
As of December 31, 2019	<u>\$ 8,477,011</u>	<u>\$ 4,511,250</u>	<u>\$ (1,614,280)</u>	<u>\$ 11,373,981</u>
As of September 30, 2019	<u>\$ 8,809,598</u>	<u>\$ 4,276,101</u>	<u>\$ (1,704,110)</u>	<u>\$ 11,381,589</u>

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	\$ 423,850	\$ 406,028	\$ -	1.70%~4.00%	2	—	Operating capital	—	—	—	\$ 1,451,131	\$ 2,902,262	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	242,200	232,016	-	1.70%~4.00%	2	—	Operating capital	—	—	—	1,451,131	2,902,262	(Note 7)
1	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	258,750	255,570	170,380	0%	2	—	Operating capital	—	—	—	744,615	744,615	(Note 9)
1	Kunshan Taiflex Electronic Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	431,250	425,950	425,950	0%	2	—	Operating capital	—	—	—	744,615	744,615	(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 nine months ended September 30, 2020.

Note 4: Nature of Financing is 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	\$ 3,627,828	\$ 730,529	\$ 297,447	\$ -	-	4.10%	\$ 3,627,828	Y	N	Y
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	2	3,627,828	615,636	507,535	18,565	-	7.00%		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 provided 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 nine months ended September 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 SEPTEMBER 30, 2020 (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

(In Thousands of New Taiwan Dollars)

Holder of Marketable Securities	Type of Marketable Securities (Note 1)	Name of Marketable Securities (Note 1)	Relationship with the Issuer (Note 2)	Financial Statement Account	September 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	\$ 32,083	0.03%	\$ 32,083	—

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: DISPOSAL OF INDIVIDUAL REAL ESTATE WITH AMOUNT OF AT LEAST NT\$300 MILLION OR 20 PERCENT OF THE PAID-IN CAPITAL

(In Thousands of New Taiwan Dollars)

Company Disposing Real Estate	Name of Property	Transaction Date	Date of Original Acquisition	Carrying Amount	Transaction Amount (Note 1)	Collection of Proceeds	Gain (Loss) on Disposal (Note 2)	Counterparty	Relationships	Reason for Disposal	Price Reference	Other Agreement
Kunshan Taiflex Electronic Co., Ltd.	Land use right and property, plant and equipment within the north of Weisi Road and east of Guisan Road, Wusongjiang Industrial Zone	December 12, 2019	January 1, 2006	\$ 450,165	\$ 590,835	As of September 30, 2020, the uncollected amount was NT\$40,555 thousand, recognized under other receivables	\$ 32,022	Flexium Interconnect (Kunshan) Inc.	None	Asset activation	The appraisal amount based on Jiangsu Sudihang Land Real Estate Assessment Co., Ltd.'s report was RMB 132,000 thousand. Price was determined through negotiation.	None

Note 1: Proceeds amounted to RMB 138,710 thousand (approximately NT\$590,835 thousand. The net proceeds were NT\$482,187 thousand, after deducting relevant expenses and land value increment tax.)

Note 2: Net gain on disposal after deducting relevant costs, expenses and land value increment tax.

TABLE 5: 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)	Collection/ Payment Terms	Unit Price	Collection/ 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	\$ 1,561,745	28.38%	180 days from the end of month	—	—	\$ 781,927	30.74%	—
Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Holds 100% of the third-tier subsidiary	Purchase on behalf of others	111,921	(Note 2)	180 days from the end of month	—	—	109,093	(Note 2)	—
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	1,561,745	71.91%	180 days from the end of month	—	—	(781,927)	63.47%	—
Shenzhen Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	Purchases	404,671	18.63%	180 days from the end of month	—	—	(448,233)	36.38%	—
Rudong Fuzhan Scientific Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	111,921	24.41%	180 days from the end of month	—	—	(109,093)	31.08%	—
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	Sales	404,671	99.76%	180 days from the end of month	—	—	448,233	99.42%	—

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.

Note 2: These are recognized as purchases on behalf of others and other receivables. Thus, they need not be calculated as a percentage of sales and receivables/payables.

TABLE 6: 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	\$ 781,927	2.26	—	—	\$ 140,379	—	—
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	765	(Note)	—	—	—	—	—
Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Holds 100% of the third-tier subsidiary	109,093	(Note)	—	—	—	—	—
Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Holds 100% of the third-tier subsidiary	21,042	2.70	—	—	—	—	—
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	448,233	2.41	—	—	2,153	—	—
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	159	(Note)	—	—	—	—	—

Note: These are recognized as other receivables. Thus, turnover ratio analysis does not apply.

TABLE 7: INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE OR CONTROL DIRECTLY OR INDIRECTLY (EXCLUDING INVESTEES IN MAINLAND CHINA)
(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2020			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				September 30, 2020	December 31, 2019	Shares (In Thousands)	Shareholding Percentage	Carrying Amount			
Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	Belize	Investment holding	\$ 704,536	\$ 704,536	21,825	100.00%	\$ 781,002	\$ (16,784)	\$ (16,784)	—
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	741	(65)	(65)	—
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	294,102	294,102	13,700	53.86%	219,470	20,160	6,587	(Note 1)
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	102,894	102,894	3,972	15.07%	31,292	(32,774)	(4,939)	—
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	476,969	11,909	11,909	(Note 2)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	1,062,808	927,740	35,000	69.29%	1,127,565	38,863	26,891	—
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	17,721	97	97	—
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	8,820	1	100.00%	8,878	(312)	(312)	—
Taiflex Scientific Co., Ltd.	Geckos Technology Corp.	Taiwan	Manufacturing and selling of electronic materials	28,699	16,182	2,524	42.08%	14,939	(15,470)	(5,965)	—
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor materials	66,000	—	5,000	100.00%	66,000	—	—	—
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	30.71%	499,672	38,863	11,972	—
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	744,683	(852)	(852)	—
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	28,649	28,649	960	100.00%	18,684	4,226	4,226	—
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	28,500	28,500	955	100.00%	18,579	4,226	4,226	—

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

Note 2: Including unrealized gain/loss between affiliates.

TABLE 8: 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 September 30, 2020	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of September 30, 2020	Accumulated Inward Remittances of Earnings as of September 30, 2020
						Outflow	Inflow						
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic 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	\$ (831)	100.00%	\$ (831)	\$ 744,615	\$ 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	52,248	100.00%	52,248	594,086	-
	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	(13,352)	100.00%	(13,352)	1,033,089	-
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	4,226	53.86%	2,276	9,999	-
Accumulated Outflows of Investment from Taiwan to Mainland China as of September 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) \$150,562				

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 5.
- (2) Sales and ending balance of related receivables and their weightings: see Tables 5 and 6.
- (3) The transaction amount and gain or loss arising from property transactions: see Table 4.
- (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\$250,936 thousand \times 60% = NT\$150,562 thousand

TABLE 9: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationships (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	1,561,745	General trading terms	24.63%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	781,927	General trading terms	6.93%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Other receivables	765	General trading terms	0.01%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Purchase on behalf of others	43,485	—	0.39%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Purchase on behalf of others	111,921	—	0.99%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Other receivables	109,093	General trading terms	0.97%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Sales revenue	404,671	General trading terms	6.38%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Accounts receivable	448,233	General trading terms	3.97%

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 10: INFORMATION ON MAJOR SHAREHOLDERS

(In Shares)

Share	No. of Shares	Shareholding %
Name of Major Shareholders		
Chang Wah Electromaterials Inc.	17,006,000	8.13%
Qiao Mei Development Corporation	16,263,729	7.77%
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.