

**TAIFLEX SCIENTIFIC COMPANY LIMITED  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT AUDITORS  
FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 2021 AND 2020**

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese financial statements shall prevail.

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## **Review Report of Independent Auditors**

To Taiflex Scientific Co., Ltd.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Taiflex Scientific Co., Ltd. and subsidiaries as of September 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three month and nine month periods ended September 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the nine month periods ended September 30, 2021 and 2020, including summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34 “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. 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” of the Republic of China. 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 conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our reviews, nothing has come to our attention that cause us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Taiflex Scientific Co., Ltd. and subsidiaries as of September 30, 2021 and 2020, their consolidated financial performance for the three month and nine month periods ended September 30, 2021 and 2020, and cash flows for the nine month periods then ended September 30, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34 “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

/s/Lee, Fang-Wen

/s/Chen, Cheng-Chu

Ernst & Young, Taiwan

October 27, 2021

## **Notice to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
September 30, 2021, December 31, 2020 and September 30, 2020  
(Numbers as of September 30, 2021 and 2020 Are Reviewed, Not Audited)  
(Expressed in thousands of New Taiwan Dollars)

Account	Notes	September 30,2021	%	December 31,2020	%	September 30,2020	%
<b>Current assets</b>							
Cash and cash equivalents	4,6(1)	\$ 1,620,503	13	\$ 1,793,632	16	\$ 2,023,459	18
Financial assets measured at fair value through profit or loss, current	4,6(2)	25,365	-	29,832	-	33,613	-
Financial assets measured at amortized costs, current	4,6(3)	49,800	-	138,719	1	173,067	2
Notes receivable, net	4,6(4)	1,114,882	9	727,722	7	604,014	5
Accounts receivable, net	4,6(5)	3,443,982	27	3,454,652	30	3,103,520	28
Other receivables	7	74,122	1	54,596	-	94,481	1
Inventories, net	4,6(6)	1,998,044	15	1,282,343	11	1,104,341	10
Prepayments		94,761	1	77,403	1	129,167	1
Other current assets	8	52,767	-	22,902	-	25,103	-
Total current assets		<u>8,474,226</u>	<u>66</u>	<u>7,581,801</u>	<u>66</u>	<u>7,290,765</u>	<u>65</u>
<b>Non-current assets</b>							
Financial assets measured at fair value through other comprehensive income, non-current	4,6(8)	316,694	3	-	-	-	-
Investments accounted for using the equity method	4,6(9)	45,150	-	40,984	-	46,231	-
Property, plant and equipment	4,6(10)	3,260,422	25	3,176,745	28	3,214,751	29
Right-of-use assets	4,6(21)	371,416	3	380,857	3	373,526	3
Intangible assets	4,6(11,13)	154,986	1	124,053	1	121,028	1
Deferred tax assets		197,525	2	200,958	2	210,818	2
Other non-current assets	4,6(12)	15,202	-	26,517	-	26,327	-
Total non-current assets		<u>4,361,395</u>	<u>34</u>	<u>3,950,114</u>	<u>34</u>	<u>3,992,681</u>	<u>35</u>
<b>Total assets</b>							
		<u>\$ 12,835,621</u>	<u>100</u>	<u>\$ 11,531,915</u>	<u>100</u>	<u>\$ 11,283,446</u>	<u>100</u>

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
September 30, 2021, December 31, 2020 and September 30, 2020  
(Numbers as of September 30, 2021 and 2020 Are Reviewed, Not Audited)  
(Expressed in thousands of New Taiwan Dollars)

Account	Notes	September 30,2021	%	December 31,2020	%	September 30,2020	%
<b>Current liabilities</b>							
Short-term loans	6(14)	\$ 1,014,880	8	\$ 150,000	1	\$ 327,006	3
Financial liabilities measured at fair value through profit or loss, current	4,6(15)	2,742	-	11,839	-	6,246	-
Contract liabilities, current	4,6(19)	3,549	-	2,508	-	3,400	-
Notes payable		369	-	381	-	370	-
Accounts payable		1,832,630	14	1,747,887	16	1,554,870	14
Other payables	7	701,034	5	573,823	5	614,474	6
Current tax liabilities	4,6(24)	116,898	1	276,047	2	251,831	2
Lease liabilities, current	4,6(21)	16,660	-	16,600	-	14,951	-
Current portion of long-term loans	6(16)	50,000	1	25,000	-	-	-
Other current liabilities		975	-	2,387	-	3,266	-
<b>Total current liabilities</b>		<b>3,739,737</b>	<b>29</b>	<b>2,806,472</b>	<b>24</b>	<b>2,776,414</b>	<b>25</b>
<b>Non-current liabilities</b>							
Long-term loans	6(16)	860,765	7	539,000	5	573,370	5
Deferred tax liabilities		105,173	1	89,642	1	84,887	1
Lease liabilities, non-current	4,6(21)	250,585	2	256,652	2	252,136	2
Net defined benefit liabilities, non-current	4,6(17)	266,578	2	261,958	2	224,947	2
Other non-current liabilities	4,12	255	-	255	-	255	-
<b>Total non-current liabilities</b>		<b>1,483,356</b>	<b>12</b>	<b>1,147,507</b>	<b>10</b>	<b>1,135,595</b>	<b>10</b>
<b>Total liabilities</b>		<b>5,223,093</b>	<b>41</b>	<b>3,953,979</b>	<b>34</b>	<b>3,912,009</b>	<b>35</b>
<b>Equity attributable to the parent company</b>							
Capital	6(18)						
Common stock		2,091,197	16	2,091,197	18	2,091,197	18
Capital surplus	6(18)	1,075,565	8	1,066,147	10	1,066,147	9
Retained earnings							
Legal reserve		1,014,369	8	939,900	8	939,900	9
Special reserve		234,299	2	230,993	2	230,993	2
Undistributed earnings		3,381,416	26	3,365,926	29	3,184,860	28
<b>Total retained earnings</b>		<b>4,630,084</b>	<b>36</b>	<b>4,536,819</b>	<b>39</b>	<b>4,355,753</b>	<b>39</b>
Other components of equity	4	(311,284)	(2)	(234,299)	(2)	(257,442)	(2)
<b>Total equity attributable to the parent company</b>		<b>7,485,562</b>	<b>58</b>	<b>7,459,864</b>	<b>65</b>	<b>7,255,655</b>	<b>64</b>
<b>Non-controlling interests</b>	4,6(18)	126,966	1	118,072	1	115,782	1
<b>Total equity</b>		<b>7,612,528</b>	<b>59</b>	<b>7,577,936</b>	<b>66</b>	<b>7,371,437</b>	<b>65</b>
<b>Total liabilities and equity</b>		<b>\$ 12,835,621</b>	<b>100</b>	<b>\$ 11,531,915</b>	<b>100</b>	<b>\$ 11,283,446</b>	<b>100</b>

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 For the Three Months and Nine Months Ended September 30, 2021 and 2020  
 (Expressed in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	Three months ended September 30				Nine months ended September 30			
		2021	%	2020	%	2021	%	2020	%
Operating revenues	4,6(19)	\$ 2,685,848	100	\$ 2,672,412	100	\$ 7,260,599	100	\$ 6,342,104	100
Operating costs	4,6(6,22)	(2,031,088)	(76)	(1,998,123)	(75)	(5,513,311)	(76)	(4,860,557)	(77)
Gross profit		654,760	24	674,289	25	1,747,288	24	1,481,547	23
Operating expenses	4,6(22)								
Sales and marketing expenses		(132,768)	(5)	(113,508)	(4)	(381,331)	(6)	(296,909)	(5)
General and administrative expenses		(116,952)	(4)	(107,157)	(4)	(320,212)	(5)	(248,969)	(4)
Research and development expenses		(87,374)	(3)	(77,397)	(3)	(237,180)	(2)	(205,968)	(3)
Expected credit gains	6(20)	221	-	762	-	1,879	-	4,604	-
Subtotal		(336,873)	(12)	(297,300)	(11)	(936,844)	(13)	(747,242)	(12)
Operating income		317,887	12	376,989	14	810,444	11	734,305	11
Non-operating income and expenses	6(23)								
Interest income		1,311	-	1,257	-	3,494	-	6,423	-
Other income		5,770	-	6,443	-	11,229	-	17,560	-
Other gains and losses		(8,178)	(1)	19,559	1	(9,365)	-	(26,444)	-
Finance costs		(5,056)	-	(6,009)	-	(13,246)	-	(16,047)	-
Share of profit or loss of associates	4,6(9)	(926)	-	(1,537)	-	(5,252)	-	(10,904)	-
Subtotal		(7,079)	(1)	19,713	1	(13,140)	-	(29,412)	-
Income from continuing operations before income tax		310,808	11	396,702	15	797,304	11	704,893	11
Income tax expense	4,6(24)	(60,865)	(2)	(76,278)	(3)	(172,332)	(2)	(131,974)	(2)
Net income of continuing operations		249,943	9	320,424	12	624,972	9	572,919	9
Net income		249,943	9	320,424	12	624,972	9	572,919	9
Other comprehensive income (loss)	6(23)								
Items that will not be reclassified subsequently to profit or loss:									
Unrealized losses from equity instrument investments measured at fair value through other comprehensive income		(44,873)	(1)	-	-	(69,728)	(1)	-	-
Items that may be reclassified subsequently to profit or loss:									
Exchange differences on translation of foreign operations		(4,154)	-	35,537	1	(9,089)	-	(33,171)	-
Income tax related to items that may be reclassified subsequently		831	-	(7,107)	-	1,818	-	6,635	-
Total other comprehensive loss, net of tax		(48,196)	(1)	28,430	1	(76,999)	(1)	(26,536)	-
Total comprehensive income		\$ 201,747	8	\$ 348,854	13	\$ 547,973	8	\$ 546,383	9
Net income attributable to:	4,6(18,25)								
Shareholders of the parent		\$ 246,883	9	\$ 312,905	12	\$ 616,064	9	\$ 563,617	9
Non-controlling interests		3,060	-	7,519	-	8,908	-	9,302	-
		\$ 249,943	9	\$ 320,424	12	\$ 624,972	9	\$ 572,919	9
Total comprehensive income (loss) attributable to:									
Shareholders of the parent		198,699	8	\$ 341,219	13	\$ 539,079	8	\$ 537,168	9
Non-controlling interests		3,048	-	7,635	-	8,894	-	9,215	-
		\$ 201,747	8	\$ 348,854	13	\$ 547,973	8	\$ 546,383	9
Earnings per share (NTD)	4,6(25)								
Earnings per share-basic		\$ 1.18		\$ 1.50		\$ 2.95		\$ 2.70	
Earnings per share-diluted		\$ 1.18		\$ 1.49		\$ 2.93		\$ 2.68	

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the Nine Months Ended September 30, 2021 and 2020  
(Expressed in thousands of New Taiwan Dollars)

Description	Equity attributable to the parent company							Total	Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings			Other components of equity				
			Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income			
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 retained earnings										
Legal reserve			57,079		(57,079)			-		-
Special reserve				64,876	(64,876)			-		-
Cash dividends					(250,944)			(250,944)		(250,944)
Changes in other capital surplus										
Share of changes in associates accounted for using 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	\$ 2,091,197	\$ 1,066,147	\$ 939,900	\$ 230,993	\$ 3,184,860	\$ (250,842)	\$ (6,600)	\$ 7,255,655	\$ 115,782	\$ 7,371,437
Balance as of January 1, 2021	\$ 2,091,197	\$ 1,066,147	\$ 939,900	\$ 230,993	\$ 3,365,926	\$ (227,699)	\$ (6,600)	\$ 7,459,864	\$ 118,072	\$ 7,577,936
Appropriation and distribution of 2020 retained earnings										
Legal reserve			74,469		(74,469)			-		-
Special reserve				3,306	(3,306)			-		-
Cash dividends					(522,799)			(522,799)		(522,799)
Changes in other capital surplus										
Share of changes in associates accounted for using equity method		9,418						9,418		9,418
Net income for the nine months ended September 30, 2021					616,064			616,064	8,908	624,972
Other comprehensive income for the nine months ended September 30, 2021						(7,257)	(69,728)	(76,985)	(14)	(76,999)
Total comprehensive income	-	-	-	-	616,064	(7,257)	(69,728)	539,079	8,894	547,973
Balance as of September 30, 2021	\$ 2,091,197	\$ 1,075,565	\$ 1,014,369	\$ 234,299	\$ 3,381,416	\$ (234,956)	\$ (76,328)	\$ 7,485,562	\$ 126,966	\$ 7,612,528

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



TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 For the Nine Months Ended September 30, 2021 and 2020  
 (Expressed in thousands of New Taiwan Dollars)

Description	Nine Months Ended September 30		Description	Nine Months Ended September 30	
	2021	2020		2021	2020
<b>Cash flows from operating activities:</b>			<b>Cash flows from investing activities:</b>		
Net income before tax	\$ 797,304	\$ 704,893	Acquisition of financial assets measured at fair value through other comprehensive income	(386,422)	-
Adjustments:			Acquisition of financial assets measured at amortized cost	-	(124,067)
Income and expense adjustments:			Disposal of financial assets measured at amortized cost	88,919	-
Depreciation	277,656	225,961	Acquisition of investments accounted for using the equity method	-	(12,517)
Amortization	17,157	15,224	Disposal of non-current assets held for sale	-	441,632
Expected credit impairment gains	(1,879)	(4,604)	Acquisition of property, plant and equipment	(322,729)	(441,008)
Net loss on financial assets and liabilities measured at fair value through profit or loss	852	7,172	Disposal of property, plant and equipment	1,956	15
Interest expense	13,246	16,047	Increase in refundable deposits	-	(8,349)
Interest income	(3,494)	(6,423)	Decrease in refundable deposits	11,589	-
Share of profit of associates	5,252	10,904	Acquisition of intangible assets	(853)	(7,754)
Loss (gain) on disposal of property, plant and equipment	3,675	(14)	Increase in other current assets - other financial assets - current	(21,549)	(40)
Gain on disposal of non-current assets held for sale	-	(32,022)	Net cash used in investing activities	<u>(629,089)</u>	<u>(152,088)</u>
Gain on reversal of impairment loss for non-financial assets	(2,879)	-	<b>Cash flows from financing activities:</b>		
Others	48,308	11,240	Increase in short-term loans	864,880	-
Changes in operating assets and liabilities:			Decrease in short-term loans	-	(412,994)
(Increase) decrease in financial assets at fair value through profit or loss	(5,482)	3,248	Increase in long-term loans	346,765	-
(Increase) decrease in notes receivable	(387,160)	144,637	Repayment of long-term loans	-	(361,195)
Decrease (increase) in accounts receivable	12,549	(506,937)	Distribution of cash dividends	(522,799)	(522,799)
Increase in other receivables	(19,764)	(26,574)	Decrease in guarantee deposits received	-	(215,774)
Increase in inventories	(763,406)	(176,753)	Decrease in payables	-	95
Increase in prepayments	(10,956)	(14,286)	Cash payment for the principal portion of the lease liabilities	(16,991)	(17,624)
Increase in other current assets	(8,316)	(2,405)	Net cash generated by (used in) financing activities	<u>671,855</u>	<u>(1,530,291)</u>
Increase in other non-current assets	(654)	(1,355)	Effect of exchange rate changes on cash and cash equivalents	(7,552)	(18,447)
Increase in contract liabilities	1,041	2,316	Net decrease in cash and cash equivalents	(173,129)	(561,062)
(Decrease) increase in notes payable	(12)	12	Cash and cash equivalents at beginning of period	1,793,632	2,584,521
Increase in accounts payable	84,743	721,630	Cash and cash equivalents at end of period	<u>\$ 1,620,503</u>	<u>\$ 2,023,459</u>
Increase in other payables	45,844	79,024			
(Decrease) increase in other current liabilities	(1,412)	796			
Increase in net defined benefit liabilities	4,620	5,397			
Cash generated from operations	<u>106,833</u>	<u>1,177,128</u>			
Interest received	3,732	6,547			
Interest paid	(8,209)	(12,671)			
Income tax paid	(310,699)	(31,240)			
Net cash (used in) generated by operating activities	<u>(208,343)</u>	<u>1,139,764</u>			

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2021 and 2020 and the Year Ended December 31, 2020  
(Numbers for the Nine Months Ended September 30, 2021 and 2020 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 sale of flexible copper-clad laminate and cover layer. The shares of the Company commenced trading on the 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, 2021 and 2020 were approved and authorized for issue in the board meeting on October 27, 2021.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2021. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Item	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

- (a) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

*Amendment to IFRS 1*

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

*Amendment to IFRS 9 Financial Instruments*

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

*Amendment to Illustrative Examples Accompanying IFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

*Amendment to IAS 41*

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

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The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2022. As the Group is still currently determining the item (a) potential impact of the standards and interpretations, it is not practicable to estimate their impact on the Group at this point in time.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	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 Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

- (a) 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 Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

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(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(d) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(e) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

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- (f) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the item (a), (c)~(f) potential impact of the standards and interpretations, it is not practicable to estimate their impact on the Group at this point in time. The remaining new or amended standards and interpretations have no material impact on the Group.

#### 4. Summary of Significant Accounting Policies

- (1) Statement of compliance

The consolidated financial statements for the nine month period ended September 30, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34 “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

- (2) Basis of preparation

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

- (3) Basis of consolidation

##### Preparation principle of consolidated financial statements

The Group adopts the same preparation principle as the one used in the preparation of consolidated financial statements for the year ended December 31, 2020. Please refer to the consolidated financial statements for the year ended December 31, 2020 for details.

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The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Percentage of Ownership		
			2021.9.30	2020.12.31	2020.9.30
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 sale 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	73.94%	69.29%	69.29%
The Company	Taichem Materials Co., Ltd. (Taichem)	Manufacturing and sale of semiconductor materials	100.00%	100.00%	100.00%
The Company	Taiflex Green Power Co., Ltd. (Taiflex Green Power)	Generation and sale of electricity from renewables	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)	Sale of chemical products, electronic materials and electronic components	100.00%	100.00%	100.00%
TFS	Richstar Co., Ltd. (Richstar)	Investment holding	26.06%	30.71%	30.71%
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 sale of electronic materials	100.00%	100.00%	100.00%
Koatech	KTC Global Co., Ltd. (KTC Global)	Investment holding	100.00%	100.00%	100.00%
KTC Global	KTC PanAsia Co., Ltd. (KTC PanAsia)	Investment holding	100.00%	100.00%	100.00%
KTC PanAsia	Kunshan Koatech Technology Corporation (Kunshan Koatech)	A wholesaler and a commission agent of electronic materials and components	100.00%	100.00%	100.00%

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Note 1: The Company established Taiflex Green Power and acquired 100% of the company on March 26, 2021.

(4) The consolidated financial statements for the nine months ended September 30, 2021 and 2020 adopt the same accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2020. Please refer to the consolidated financial statements for the year ended December 31, 2020 for a summary of other significant accounting policies.

5. Critical Accounting Judgments and Major Sources of Estimation and Uncertainty

The same critical accounting judgments and major sources of estimation and uncertainty have been followed in the consolidated financial statements for the nine months ended September 30, 2021 and 2020 as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2020. For the summary of critical accounting judgments and major sources of estimation and uncertainty, please refer to the consolidated financial statements for the year ended December 31, 2020.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand and petty cash	\$ 832	\$ 643	\$ 672
Bank deposits	1,619,671	1,792,989	2,022,787
Total	<u>\$ 1,620,503</u>	<u>\$ 1,793,632</u>	<u>\$ 2,023,459</u>

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

	September 30, 2021	December 31, 2020	September 30, 2020
Mandatorily measured at fair value through profit or loss:			
Derivatives not designated as hedging instruments			
— Forward foreign exchange contracts	\$ 182	\$ 423	\$ 1,530
Stocks	25,183	29,409	32,083
Total	<u>\$ 25,365</u>	<u>\$ 29,832</u>	<u>\$ 33,613</u>

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



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(3) Financial assets measured at amortized costs, current

	September 30, 2021	December 31, 2020	September 30, 2020
Time deposits – current	\$ 49,800	\$ 79,000	\$ 79,800
Restricted bank deposits	—	59,719	93,267
Total	<u>\$ 49,800</u>	<u>\$ 138,719</u>	<u>\$ 173,067</u>

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

The Group has been approved by the National Taxation Bureau under Ministry of Finance pursuant to the “Regulations on Industries Investment from Repatriated Offshore Funds” with investment plans 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, net

	September 30, 2021	December 31, 2020	September 30, 2020
Notes receivable, net	<u>\$ 1,114,882</u>	<u>\$ 727,722</u>	<u>\$ 604,014</u>

The Group’s notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(20) for more details on loss allowance and Note 12 for details on credit risk.

(5) Accounts receivable, net

	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivable	\$ 3,490,413	\$ 3,503,025	\$ 3,154,623
Less: loss allowance	(46,431)	(48,373)	(51,103)
Accounts receivable, net	<u>\$ 3,443,982</u>	<u>\$ 3,454,652</u>	<u>\$ 3,103,520</u>

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

B. The Group’s accounts receivables are generally on 60-180 day terms. The total carrying amount were NT\$3,490,413 thousand, NT\$3,503,025 thousand and NT\$3,154,623 thousand as of September 30, 2021, December 31, 2020, and September 30, 2020, respectively. Please refer to Note 6(20) for more details on loss allowance for the nine months ended September 30, 2021 and 2020 and Note 12 for more details on credit risk management.

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- C. The Company entered into factoring agreements without recourse with banks for accounts receivable selected. The Company had factoring agreements details as of September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

September 30, 2021				
Factor	Amount of Accounts Receivable	Amount of Factoring	Condition	Unreceived Amount (Recorded as Other Receivables)
CTBC Bank	US\$ 2,988 thousand	US\$ 2,988 thousand	Without recourse	—
Taishin International Bank	US\$ 5,209 thousand	US\$ 5,209 thousand	Without recourse	—
Taipei Fubon Bank	US\$ 7,699 thousand	US\$ 7,699 thousand	Without recourse	—

  

December 31, 2020				
Factor	Amount of Accounts Receivable	Amount of Factoring	Condition	Unreceived Amount (Recorded as Other Receivables)
CTBC Bank	US\$ 623 thousand	US\$ 623 thousand	Without recourse	—
Taishin International Bank	US\$ 6,758 thousand	US\$ 6,758 thousand	Without recourse	—
Taipei Fubon Bank	US\$ 1,222 thousand	US\$ 1,222 thousand	Without recourse	—

  

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, net

	September 30, 2021	December 31, 2020	September 30, 2020
Raw materials	\$ 873,291	\$ 586,792	\$ 526,603
Inventories in transit	88,412	88,121	54,174
Supplies	30,985	17,256	17,083
Work in process	96,587	—	87,227
Finished goods	483,430	366,149	243,673
Merchandise	425,339	224,025	175,581
Total	<u>\$ 1,998,044</u>	<u>\$ 1,282,343</u>	<u>\$ 1,104,341</u>

The Group recognized NT\$2,031,088 thousand, NT\$1,998,123 thousand, NT\$5,513,311 thousand and NT\$4,860,557 thousand of operating costs associated with inventories for the three months and nine months ended September 30, 2021 and 2020, respectively. Inventory valuation loss for inventories written down to their net realizable value amounted to NT\$37,899 thousand, NT\$4,294 thousand for the nine months ended September 30, 2021 and 2020, respectively. 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\$2,111 thousand and NT\$2,809 thousand for the three months ended September 30, 2021 and 2020, respectively.

No inventories were pledged.

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(7) Non-current assets held for sale

	September 30, 2021	December 31, 2020	September 30, 2020
Non-current assets held for sale			
Property, plant and equipment	\$ —	\$ —	\$ —
Right-of-use assets	—	—	—
Other non-current assets	—	—	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The subsidiary, Kunshan Taiflex Electronic Co., Ltd., resolved to sell 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 meeting held on December 12, 2019. Thus, these assets were classified as non-current assets held for sale. The delivery 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 with net proceeds of NT\$482,187 thousand, after deducting relevant expenses and land value increment tax.) As of September 30, 2021, the uncollected amount was RMB 2,000 thousand (approximately NT\$8,611 thousand recognized under other receivables). As of the date of this financial report, the final payment was still pending for collection

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

	September 30, 2021	December 31, 2020	September 30, 2020
Equity instrument investments measured at fair value through other comprehensive income – non-current:			
Publicly traded stocks	\$ 316,694	\$ —	\$ —
Non-publicly traded stocks	—	—	—
Total	<u>\$ 316,694</u>	<u>\$ —</u>	<u>\$ —</u>

Financial assets measured at fair value through other comprehensive income were not pledged. Please refer to Table 3 for details.

(9) Investments accounted for using the equity method

Investee	September 30, 2021		December 31, 2020		September 30, 2020	
	Carrying Amount	Percentage of ownership (%)	Carrying Amount	Percentage of ownership (%)	Carrying Amount	Percentage of ownership (%)
Investments in associates:						
Innovision FlexTech Corp.	\$ 30,206	15.07%	\$ 28,835	15.07%	\$ 31,292	15.07%
Geckos Technology Corp.	14,944	29.19%	12,149	42.08%	14,939	42.08%
Total	<u>\$ 45,150</u>		<u>\$ 40,984</u>		<u>\$ 46,231</u>	

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The investments accounted for using the equity method were not pledged.

- A. The shares of profit or loss of associates accounted for using the equity method for the three months and nine months ended September 30, 2021 and 2020 were as follows:

Investee	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Innovision FlexTech Corp.	\$ 1,456	\$ 462	\$ 1,374	\$ (4,939)
Geckos Technology Corp.	(2,382)	(1,999)	(6,626)	(5,965)
Total	\$ (926)	\$ (1,537)	\$ (5,252)	\$ (10,904)

- B. The Group accounted for investment in 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. Judgments in determining that the Group only has significant influence: Although the Group owns 29.19% of the voting rights of Geckos Technology Corp., the other shareholders enjoy the advantage of relative majority in directing activities of the investee. Therefore, the Group has no control of Geckos Technology Corp. and only has significant influence over Geckos Technology Corp.

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

	September 30, 2021	December 31, 2020	September 30, 2020
Total assets	\$ 462,167	\$ 440,882	\$ 472,116
Total liabilities	\$ 228,164	\$ 233,976	\$ 241,274

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Revenue	\$ 82,895	\$ 62,869	\$ 191,652	\$ 131,810
Net gain (loss)	\$ 1,661	\$ (1,686)	\$ (9,431)	\$ (48,244)

- (10) Property, plant and equipment

	September 30, 2021	December 31, 2020	September 30, 2020
Owner-occupied property, plant and equipment	\$ 3,260,422	\$ 3,176,745	\$ 3,214,751

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A. Owner-occupied property, plant and equipment

	As of January 1, 2021	Additions	Disposals	Reclassification	Impairment Loss (Gain on Recovery)	Effect of Exchange Rate Changes	As of September 30, 2021
<u>Cost</u>							
Land	\$ 100,843	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100,843
Buildings	1,639,242	76,689	—	—	—	(705)	1,715,226
Machinery and equipment	2,958,492	298,049	(64,872)	52,318	—	(511)	3,243,476
Hydropower equipment	438,521	8,609	—	—	—	(101)	447,029
Testing equipment	382,967	8,940	(5,736)	1,852	—	(45)	387,978
Miscellaneous equipment	386,551	7,269	(4,051)	(53,872)	—	(65)	335,832
Total	<u>\$ 5,906,616</u>	<u>\$ 399,556</u>	<u>\$ (74,659)</u>	<u>\$ 298</u>	<u>\$ —</u>	<u>\$ (1,427)</u>	<u>\$ 6,230,384</u>
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 472,642	\$ 53,168	\$ —	\$ —	\$ —	\$ (68)	\$ 525,742
Machinery and equipment	1,960,842	146,906	(59,480)	49,613	—	(94)	2,097,787
Hydropower equipment	244,201	14,999	—	—	—	(19)	259,181
Testing equipment	195,360	28,078	(5,497)	88	—	(20)	218,009
Miscellaneous equipment	278,077	18,079	(4,051)	(49,403)	(2,879)	(39)	239,784
Total	<u>\$ 3,151,122</u>	<u>\$ 261,230</u>	<u>\$ (69,028)</u>	<u>\$ 298</u>	<u>\$ (2,879)</u>	<u>\$ (240)</u>	<u>\$ 3,340,503</u>
Construction in progress and equipment awaiting examination	421,251	3,373	—	(53,984)	—	(99)	370,541
Net	<u>\$ 3,176,745</u>						<u>\$ 3,260,422</u>
	As of January 1, 2020	Additions	Disposals	Reclassification	Impairment Loss (Gain on Recovery)	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>
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 417,369	\$ 39,992	\$ —	\$ —	\$ —	\$ —	\$ 457,361
Machinery and equipment	1,795,763	120,200	(8,664)	(17,139)	—	(226)	1,889,934
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 examination	715,373	169,656	—	(141,858)	—	(5,891)	737,280
Net	<u>\$ 2,993,090</u>						<u>\$ 3,214,751</u>

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B. Upon assessment, the Group determined that a part of machinery and equipment was impaired and recognized impairment loss of NT\$2,879 thousand for the nine months ended September 30, 2021. The recoverable amount was measured at fair value less costs of disposal, and the fair value was classified as level 3.

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

(11) Intangible assets

	As of January 1, 2021	Additions	Reclassification	Effect of Exchange Rate Changes	As of September 30, 2021
Cost					
Trademarks	\$ 691	\$ 41	\$ —	\$ —	\$ 732
Patents	47,677	143	—	—	47,820
Computer software	182,327	669	46,857	(14)	226,839
Goodwill	69,781	—	—	—	69,781
Total	<u>\$ 300,476</u>	<u>\$ 853</u>	<u>\$ 46,857</u>	<u>\$ (14)</u>	<u>\$ 348,172</u>

Accumulated amortization and impairment					
Trademarks	\$ 436	\$ 37	\$ —	\$ —	\$ 473
Patents	39,880	624	—	—	40,504
Computer software	136,107	16,118	—	(16)	152,209
Total	<u>176,423</u>	<u>\$ 16,779</u>	<u>\$ —</u>	<u>\$ (16)</u>	<u>193,186</u>
Net	<u>\$ 124,053</u>				<u>\$ 154,986</u>

	As of January 1, 2020	Additions	Reclassification	Effect of Exchange Rate Changes	As of September 30, 2020
Cost					
Trademarks	\$ 691	\$ —	\$ —	\$ —	\$ 691
Patents	47,336	341	—	—	47,677
Computer software	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
Computer software	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>

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(12) Other non-current assets

	September 30, 2021	December 31, 2020	September 30, 2020
Refundable deposits	\$ 13,623	\$ 25,212	\$ 24,838
Other non-current assets – other	1,579	1,305	1,489
Total	<u>\$ 15,202</u>	<u>\$ 26,517</u>	<u>\$ 26,327</u>

(13) Impairment testing of goodwill

Goodwill acquired through business combinations was allocated to each of the cash generating units which were expected to benefit from synergies, and impairment evaluation on recoverable amount of goodwill was conducted at each year end. The Group measured recoverable amount measured at fair value less costs of disposals. The adoption of fair value less costs of disposal was determined by using the comparative approach for evaluation. Fair value less costs of disposal took into account the recent transaction prices or announced land value of similar objects with comparability in the region and adjusted for factors including location, scale and purposes. It was a level 3 fair value. As a result of the updated analysis, management did not identify an impairment for goodwill of NT\$69,781 thousand.

Key assumptions in calculating the fair value less costs of disposal

The calculation of cash generating units fair value less costs of disposal is most sensitive to the following assumptions:

Transaction price of comparable object – the transaction price of comparable object is adjusted for conditions, transaction date, local factor, and individual factor.

Sensitivity to changes in assumptions

For the evaluation of cash generating units fair value less costs of disposal, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(14) Short-term loan

	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured bank loans	<u>\$ 1,014,880</u>	<u>\$ 150,000</u>	<u>\$ 327,006</u>

The interest rate ranges of loans were 0.68%~1.73%, 0.73% and 0.73%~1.20% and the unused short-term credit facilities amounted to NT\$2,166,199 thousand, NT\$2,998,806 thousand and NT\$3,056,318 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

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

	September 30, 2021	December 31, 2020	September 30, 2020
Held for trading:			
Derivative not designated as hedging instruments			
– Forward foreign exchange contracts	\$ 2,559	\$ 11,294	\$ 6,046
– Foreign exchange swap contracts	183	545	200
Total	<u>\$ 2,742</u>	<u>\$ 11,839</u>	<u>\$ 6,246</u>

(16) Long-term loan

Details of long-term loans as of September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

Creditor	2021.9.30	Contract Term and Repayment
Bank of Taiwan–syndicated loan	\$ 139,200	2020.10.29–2025.10.28, revolving for five years from the initial drawdown date with monthly interest payment
Export-Import Bank of the Republic of China – credit loan	150,000	2019.6.28–2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Mizuho Bank –credit loan	60,000	2020.10.5–2022.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank –credit loan	90,000	2020.10.5–2022.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank –credit loan	150,000	2020.10.5–2022.10.5, revolving for 2 years after the commencement date with monthly interest payment
DBS Bank–credit loan	83,520	2021.2.21–2023.2.21, revolving for 2 years after the commencement date with interest payment at maturity
DBS Bank–credit loan	80,000	2021.2.21–2023.2.21, revolving for 2 years after the commencement date with interest payment at maturity
Taipei Fubon Bank–credit loan	35,000	2021.9.6–2026.9.6, non-revolving for five years from the initial drawdown date, principal to be repaid in 3 equal semiannual installments after the grace period of 24 months with monthly interest payment
Taishin International Bank - collateral loan	3,500	2021.9.10–2023.9.10, revolving for 2 years after the commencement date with monthly interest payment
Taishin International Bank - collateral loan	33,370	2020.2.25–2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Taishin International Bank - collateral loan	90,000	2020.2.25–2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Subtotal	<u>914,590</u>	
Less: current portion	(50,000)	
Less: unamortized syndicated loan fee	(3,825)	
Total	<u>\$ 860,765</u>	



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Creditor	2020.12.31	Contract Term and Repayment
Bank of Taiwan –syndicated loan	\$ 140,630	2020.10.29–2025.10.28, revolving for five years from the initial drawdown date with monthly interest payment
Export-Import Bank of the Republic of China – credit loan	150,000	2019.6.28–2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Mizuho Bank – credit loan	90,000	2020.10.5–2022.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank – credit loan	60,000	2020.10.5–2022.10.5, revolving for 2 years after the commencement date with monthly interest payment
Taishin International Bank – collateral loan	33,370	2020.2.25–2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Taishin International Bank – collateral loan	90,000	2020.2.25–2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Subtotal	564,000	
Less: current portion	(25,000)	
Total	<u>\$ 539,000</u>	

Creditor	2020.9.30	Contract Term and Repayment
Export-Import Bank of the Republic of China – credit loan	\$ 150,000	2019.6.28–2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Export-Import Bank of the Republic of China – credit loan	150,000	2019.6.28–2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Mizuho Bank – credit loan	60,000	2019.10.5–2021.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank – credit loan	90,000	2019.10.5–2021.10.5, revolving for 2 years after the commencement date with monthly interest payment
Taishin International Bank – collateral loan	33,370	2020.2.25–2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Taishin International Bank – collateral loan	90,000	2020.2.25–2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Subtotal	573,370	
Less: current portion	—	
Total	<u>\$ 573,370</u>	

(1) The interest rate ranges of loans were 0.70%~1.57%, 0.80%~1.2645% and 0.80%~1.20% as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively. Please refer to Note 8 for collateral of the long-term loans.

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(2) In July 2020, the Company 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, i.e., October 2020 to October 2025 and the credit term of the agreement was mid-term loans—current. During the loan term, the Company 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 Company has abided by those terms.

(17) Post-employment benefits

A. Defined contribution plan

Expenses under the defined contribution plan were NT\$8,293 thousand and NT\$6,685 thousand for the three months ended September 30, 2021 and 2020, respectively; and NT\$22,935 thousand and NT\$19,460 thousand for the nine months ended September 30, 2021 and 2020, respectively.

B. Defined benefits plan

Expenses under the defined benefit plan were NT\$2,330 thousand and NT\$2,490 thousand for the three months ended September 30, 2021 and 2020, respectively; and NT\$6,555 thousand and NT\$7,470 thousand for the nine months ended September 30, 2021 and 2020, respectively.

(18) Equity

A. Common stock

- (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) as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively, each at a par value of NT\$10.
- (b) The Company's issued common stock was NT\$2,091,197 thousand, divided into 209,120 thousand shares as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively, each at a par value of NT\$10.

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B. Capital surplus

	September 30, 2021	December 31, 2020	September 30, 2020
Additional paid-in capital	\$ 666,479	\$ 666,479	\$ 666,479
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	117,336	107,918	107,918
<b>Total</b>	<b>\$ 1,075,565</b>	<b>\$ 1,066,147</b>	<b>\$ 1,066,147</b>

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 distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- (a) Payment of all taxes and dues;
- (b) Offset prior years' operation losses;
- (c) Set aside 10% of the remaining amount as legal reserves, except for the accumulated legal reserve equaled common stock issued;
- (d) Set aside or reverse special reserve in accordance with laws and regulations or the competent securities authorities; and
- (e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

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 40% of the distributable earnings shall be appropriated as shareholders' dividends. The cash dividend shall not be lower than 10% of the total dividends and shall be capped at 100 percent.

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Following the adoption of IFRS, the Company complies with Order No. Financial-Supervisory-Securities-Corporate-1090150022 issued by the FSC on March 31, 2021, 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 that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserves. 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 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, 2021 and 2020, special capital reserve set aside for the first-time adoption of IFRS amounted to NT\$75,546 thousand.

Details of the 2020 and 2019 earnings distribution and dividends per share as approved in the shareholders' meetings on July 16, 2021 and May 28, 2020, respectively, are as follows:

	Appropriation of Earnings		Dividend per Share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 74,469	\$ 57,079	—	—
Special reserve	3,306	64,876	—	—
Cash dividends -common stocks	522,799	250,944	\$ 2.50	\$ 1.20

The shareholders' meeting on May 28, 2020 resolved to distribute capital surplus by cash in amount of NT\$271,855 thousand, or NT\$1.3 per share.

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

D. Non-controlling interests (NCI)

	Nine Months Ended September 30	
	2021	2020
Beginning balance	\$ 118,072	\$ 106,567
Profit attributable to NCI	8,908	9,302
Other comprehensive income attributable to NCI:		
Exchange differences resulting from translating the financial statements of a foreign operation	(14)	(87)
Ending balance	\$ 126,966	\$ 115,782

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(19) Operating revenue

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Sale of goods	\$ 2,685,848	\$ 2,672,412	\$ 7,260,599	\$ 6,342,104

Contract balance:

	September 30, 2021	December 31, 2020	September 30, 2020	December 31, 2019
	Sale of goods	\$ 3,549	\$ 2,508	\$ 3,400

The Group recognized NT\$2,508 thousand and NT\$1,074 thousand, respectively, in revenues from the contract liabilities balance at the beginning of the period for the nine months ended September 30, 2021 and 2020.

(20) Expected credit gains

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Operating expenses – Expected credit gain				
Accounts receivable	\$ (221)	\$ (762)	\$ (1,879)	\$ (4,604)

Please refer to Note 12 for detail on credit risk.

The Group measures the loss allowance of its receivables (including notes and accounts receivables) at an amount equal to lifetime expected credit losses. The assessment of the loss allowance as of September 30, 2021, December 31, 2020 and September 30, 2020 was as follows:

Expected credit loss of receivables:

September 30, 2021

	Not Yet Due (Note)	Overdue			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 4,425,510	\$ 154,080	\$ 1,105	\$ 24,600	\$ 4,605,295
Loss rate	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	16,562	5,677	221	23,971	46,431
Subtotal	\$ 4,408,948	\$ 148,403	\$ 884	\$ 629	\$ 4,558,864

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December 31, 2020

	Not Yet Due (Note)	Overdue			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 4,069,090	\$ 136,397	\$ —	\$ 25,260	\$ 4,230,747
Loss rate	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	18,406	4,842	—	25,125	48,373
Subtotal	\$ 4,050,684	\$ 131,555	\$ —	\$ 135	\$ 4,182,374

September 30, 2020

	Not Yet Due (Note)	Overdue			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

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

The movements in the loss allowance of its receivables for the nine months ended September 30, 2021 and 2020 were as follows:

	Receivables	Other Non-current Assets	Total
Balance as of January 1, 2021	\$ 48,373	\$ —	\$ 48,373
Reversal in the current period	(1,879)	—	(1,879)
Write off	—	—	—
Effect of exchange rate changes	(63)	—	(63)
Balance as of September 30, 2021	\$ 46,431	\$ —	\$ 46,431

	Receivables	Other Non-current Assets	Total
Balance as of January 1, 2020	\$ 56,168	\$ 4,101	\$ 60,269
Reversal in the current period	(4,604)	—	(4,604)
Write off	—	(4,101)	(4,101)
Effect of exchange rate changes	(461)	—	(461)
Balance as of September 30, 2020	\$ 51,103	\$ —	\$ 51,103

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(21) Leases

A. The Group being a lessee

The Group leased various assets, including property, such as land and buildings, and transportation equipment. The lease terms range from 2 and 50 years.

The Group's leases effect on financial position, financial performance and cash flows 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, 2021	December 31, 2020	September 30, 2020
Land	\$ 344,204	\$ 350,777	\$ 351,476
Buildings	12,097	17,442	8,877
Transportation equipment	15,115	12,638	13,173
Total	<u>\$ 371,416</u>	<u>\$ 380,857</u>	<u>\$ 373,526</u>

For the nine months ended September 30, 2021 and 2020, the Group's additions to right-of-use assets amount to NT\$14,326 thousand and NT\$11,250 thousand, respectively.

(ii) Lease liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Current	\$ 16,660	\$ 16,600	\$ 14,951
Non-current	250,585	256,652	252,136
Lease liabilities	<u>\$ 267,245</u>	<u>\$ 273,252</u>	<u>\$ 267,087</u>

Please refer to Note 6(23)C for the interest on lease liabilities recognized for the three months and nine months ended September 30, 2021 and 2020, and Note 12(5) Liquidity risk management for the maturity analysis for lease liabilities as of September 30, 2021, December 31, 2020 and September 30, 2020.

(b) Amounts recognized in the statements of profit or loss

Depreciation charge for right-of-use assets

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	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Land	\$ 2,115	\$ 2,107	\$ 6,355	\$ 6,318
Buildings	1,713	1,628	4,791	5,012
Transportation equipment	1,874	1,892	5,280	6,031
Total	<u>\$ 5,702</u>	<u>\$ 5,627</u>	<u>\$ 16,426</u>	<u>\$ 17,361</u>

(c) Income and costs relating to leasing activities

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
The expense of short-term leases	\$ 8,140	\$ 3,285	\$ 21,057	\$ 11,214
The expense of leases of low-value assets (excluding the expenses relating to short-term leases of low-value assets)	422	202	760	592

During the three months and the nine month periods ended September 30, 2021 and 2020, the rent concessions arising as a direct consequence of the Covid-19 pandemic amounting to NT\$0 thousand, NT\$305 thousand, NT\$0 thousand and NT\$508 thousand, respectively, which are recognized in other income to reflect the variable lease payment that arising from the application of the practical expedient.

(d) Cash outflows relating to leasing activities

For the nine months ended September 30, 2021 and 2020, the Group's total cash outflows for leases amounted to NT\$38,808 thousand and NT\$29,430 thousand, respectively.

(e) Other information relating to leasing activities

Options to extend or terminate the lease

Some of the Group's property agreement contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances 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.



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

Function Nature	Three Months Ended September 30					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	140,599	116,193	256,792	119,533	111,631	231,164
Labor and health insurance	14,476	9,263	23,739	10,063	7,109	17,172
Pension	6,409	4,214	10,623	5,265	3,910	9,175
Remuneration to directors	—	6,950	6,950	—	8,652	8,652
Other employee benefits expense	15,991	7,889	23,880	11,682	6,429	18,111
Depreciation	79,654	15,877	95,531	71,657	6,082	77,739
Amortization	783	5,294	6,077	1,153	4,082	5,235

Function Nature	Nine Months Ended September 30					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	388,083	331,401	719,484	312,808	271,677	584,485
Labor and health insurance	38,667	24,944	63,611	28,770	19,967	48,737
Pension	17,691	11,799	29,490	15,410	11,520	26,930
Remuneration to directors	—	17,665	17,665	—	15,358	15,358
Other employee benefits expense	43,082	22,236	65,318	30,262	16,437	46,699
Depreciation	231,170	46,486	277,656	207,618	18,343	225,961
Amortization	2,427	14,730	17,157	3,574	11,650	15,224

According to the Articles of Incorporation, when the Company makes a profit for the year, the compensation to employees shall not be lower than 5% of the balance and the remuneration to directors shall not be higher than 4% 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 Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

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Based on profitability, the compensation to employees and remuneration to directors accrued for the nine months ended September 30, 2021 and 2020 were as follows:

	Nine Months Ended September 30	
	2021	2020
Compensation to employees	\$ 63,310	\$ 54,933
Remuneration to directors	17,340	15,021

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 mount accrued differed from the amount resolved in the board meeting, the difference would be recognized in the profit or loss of the following year.

Compensation to employees and remuneration to directors of 2020, and 2019 reported in the shareholders' meeting on July 16, 2021 and May 28, 2020 were as follows:

	2020	2019
	Compensation to employees	\$ 75,524
Remuneration to directors	20,651	17,673

No material differences exist between 2020 and 2019 compensation to employees and remuneration to directors reported in the shareholders' meeting, the amounts resolved in the board meeting on January 22, 2021 and January 10, 2020 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	
	2021	2020	2021	2020
Interest income	\$ 1,311	\$ 1,257	\$ 3,494	\$ 6,423

B. Other income

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Other income	\$ 5,770	\$ 6,443	\$ 11,229	\$ 17,560

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C. Other gains and losses

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
(Loss)gain on disposal of property, plant and equipment	\$ (1,042)	\$ (1)	\$ (3,675)	\$ 14
Gain on disposal of non-current assets held for sale	—	32,022	—	32,022
Foreign exchange (loss)gain, net	(2,946)	617	(6,792)	(50,110)
Gain on reversal of impairment loss for non-financial assets	—	—	2,879	—
Loss on financial assets /liabilities measured at fair value through profit or loss, net	(3,946)	(12,773)	(852)	(7,172)
Other losses	(244)	(306)	(925)	(1,198)
Total	<u>\$ (8,178)</u>	<u>\$ 19,559</u>	<u>\$ (9,365)</u>	<u>\$ (26,444)</u>

D. Finance costs

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Interest on borrowings from bank	\$ (3,730)	\$ (4,763)	\$ (9,376)	\$ (12,226)
Interest on lease liabilities	(1,326)	(1,246)	(3,870)	(3,821)
Total	<u>\$ (5,056)</u>	<u>\$ (6,009)</u>	<u>\$ (13,246)</u>	<u>\$ (16,047)</u>

E. Components of other comprehensive income

For the three months ended September 30, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	\$ (44,873)	\$ —	\$ (44,873)	\$ —	\$ (44,873)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operation	(4,154)	—	(4,154)	831	(3,323)
Total	<u>\$ (49,027)</u>	<u>\$ —</u>	<u>\$ (49,027)</u>	<u>\$ 831</u>	<u>\$ (48,196)</u>

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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 nine months ended September 30, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss: Unrealized loss on investments in equity instruments at fair value through other comprehensive income	\$ (69,728)	\$ —	\$ (69,728)	\$ —	\$ (69,728)
Items that may be reclassified subsequently to profit or loss: Exchange differences arising on translation of foreign operation	(9,089)	—	(9,089)	1,818	(7,271)
Total	\$ (78,817)	\$ —	\$ (78,817)	\$ 1,818	\$ (76,999)

For the nine months ended September 30, 2020:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss: Exchange differences arising on translation of foreign operation	\$ (33,171)	\$ —	\$ (33,171)	\$ 6,635	\$ (26,536)

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(24) Income tax

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

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
<u>Income tax recognized in profit or loss</u>				
Current income tax expense(benefit):				
Current income tax charge	\$ 52,868	\$ 69,823	\$ 155,316	\$ 159,614
Income tax adjustments on prior years	(2,931)	(9,404)	(3,027)	(14,549)
Separate taxation for repatriated offshore funds	—	—	—	11,411
Effect of exchange rate changes	1	76	98	375
Deferred income tax expense (benefit):				
Deferred income tax expense relating to origination and reversal of temporary differences	10,927	15,783	19,945	(24,877)
Income tax expense	\$ 60,865	\$ 76,278	\$ 172,332	\$ 131,974

Income tax recognized in other comprehensive income

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
Deferred income tax expense (benefit):				
Exchange differences arising on translation of foreign operations	\$ (831)	\$ 7,107	\$ (1,818)	\$ (6,635)
Income tax expense (benefit) relating to components of other comprehensive income	\$ (831)	\$ 7,107	\$ (1,818)	\$ (6,635)

B. The assessment of income tax returns:

As of September 30, 2021, the assessment of the Group's income tax returns in ROC was as follows:

	Assessment of Income Tax Returns
The Company	Assessed and approved up to 2019
Subsidiary – Koatech Technology Corporation	Assessed and approved up to 2019

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(25) Earnings per share (EPS)

	Three Months Ended September 30, 2021		
	Amount after-tax	Weighted average number of ordinary shares outstanding (in thousands)	EPS (NT\$)
Basic earnings per share			
Profit attributable to ordinary equity holders of the Company	\$ 246,883	209,120	\$ <u>1.18</u>
Diluted earnings per share			
Effect of dilution:			
Employee compensation – stock	—	546	
Profit attributable to common shareholders of the Company and effect of potential common stocks	\$ <u>246,883</u>	<u>209,666</u>	\$ <u>1.18</u>
	Three Months Ended September 30, 2020		
	Amount after-tax	Weighted average number of ordinary shares outstanding (in thousands)	EPS (NT\$)
Basic earnings per share			
Profit attributable to ordinary equity holders of the Company	\$ 312,905	209,120	\$ <u>1.50</u>
Diluted earnings per share			
Effect of dilution:			
Employee compensation – stock	—	641	
Profit attributable to common shareholders of the Company and effect of potential common stocks	\$ <u>312,905</u>	<u>209,761</u>	\$ <u>1.49</u>
	Nine Months Ended September 30, 2021		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
Basic earnings per share			
Profit attributable to ordinary equity holders of the Company	\$ 616,064	209,120	\$ <u>2.95</u>
Diluted earnings per share			
Effect of dilution:			
Employee compensation – stock	—	1,369	
Profit attributable to common shareholders of the Company and effect of potential common stocks	\$ <u>616,064</u>	<u>210,489</u>	\$ <u>2.93</u>

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	Nine Months Ended September 30, 2020		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
Basic earnings per share			
Profit attributable to ordinary equity holders of the Company	\$ 563,617	209,120	\$ 2.70
Diluted earnings per share			
Effect of dilution:			
Employee compensation – stock	—	1,121	
Profit attributable to common shareholders of the Company and effect of potential common stocks	\$ 563,617	210,241	\$ 2.68

7. Related Party Transactions

(1) Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Innatech Co., Ltd. (Innatech)	A substantive related party of the Group
SINYA Network System Integration Co., Ltd. (SINYA)	A substantive related party of the Group
Geckos Technology Corp. (Geckos)	An associate of the Group

(2) Significant transactions with the related parties

A. Other receivables – related parties

	September 30, 2021	December 31, 2020	September 30, 2020
Geckos	\$ 239	\$ 132	\$ 173

B. Prepayments

	September 30, 2021	December 31, 2020	September 30, 2020
Innatech	\$ 1,456	\$ 777	\$ 274
SINYA	755	—	—
Total	\$ 2,211	\$ 777	\$ 274

C. Other payables – related parties

	September 30, 2021	December 31, 2020	September 30, 2020
Innatech	\$ 859	\$ 6,701	\$ 1,773
SINYA	4,144	1,285	—
Total	\$ 5,003	\$ 7,986	\$ 1,773

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D. Property transaction

Acquisition of property, plant and equipment

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Innatech	\$ —	\$ 4,618	\$ —	\$ 10,117
SINYA	1,250	—	1,250	—
Total	<u>\$ 1,250</u>	<u>\$ 4,618</u>	<u>\$ 1,250</u>	<u>\$ 10,117</u>

Acquisition of intangible assets

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Innatech	<u>\$ 1,632</u>	<u>\$ 281</u>	<u>\$ 42,595</u>	<u>\$ 682</u>

Proceeds from sales of property, plant and equipment

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Geckos	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 15</u>

Gain on sales of property, plant and equipment

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Geckos	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 15</u>

E. Others

Rental income

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Geckos	<u>\$ 450</u>	<u>\$ 450</u>	<u>\$ 1,350</u>	<u>\$ 1,350</u>

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.



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F. Compensation to key management of the Group

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 23,629	\$ 28,602	\$ 52,412	\$ 57,845
Post-employment benefits	116	129	315	429
<b>Total</b>	<b>\$ 23,745</b>	<b>\$ 28,731</b>	<b>\$ 52,727</b>	<b>\$ 58,274</b>

8. Assets Pledged as Security

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

	Carrying Amount			Purpose of Pledge
	September 30, 2021	December 31, 2020	September 30, 2020	
Time deposits (Note)	\$ 41,630	\$ 20,081	\$ 20,071	Customs guarantee
Land	100,843	100,843	100,843	Long-term loans
Buildings	92,020	93,539	93,893	Letter of credit, short-term credit facilities and long-term loans
<b>Total</b>	<b>\$ 234,493</b>	<b>\$ 214,463</b>	<b>\$ 214,807</b>	

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

9. Significant Contingencies and Unrecognized Contractual Commitments

Details of the Group's unused letters of credit as of September 30, 2021 were as follows:

	Letter of credit Balance	
NTD	NT\$	988 thousand
JPY	JPY	1,274,090 thousand
USD	US\$	10,757 thousand

10. Losses Due to Major Disasters

None.

11. Significant Subsequent Events

The Company had resolved to issue its first overseas unsecured convertible corporate bonds for a maximum of US\$70,000 thousand in the Board of Directors' meeting on July 29, 2021. The bond is to be issued at zero coupon rate over a period of five years. The bonds are approved by the Financial Supervisory Commission on September 24, 2021 with Order No. Financial-Supervisory-Securities-Corporate-1100357863.

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12. Others

(1) Categories of financial instruments

Financial assets

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets measured at fair value through profit or loss:			
Mandatorily at fair value through profit or loss	\$ 25,365	\$ 29,832	\$ 33,613
Financial assets measured at fair value through other comprehensive income	316,694	—	—
Financial assets measured at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	1,619,671	1,792,989	2,022,787
Financial assets at amortized cost	49,800	138,719	173,067
Receivables	4,632,986	4,236,970	3,802,015
Other financial assets - current	41,630	20,081	20,071

Financial liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Financial liabilities measured at fair value through profit or loss:			
Held for trading	\$ 2,742	\$ 11,839	\$ 6,246
Financial liabilities measured at amortized cost:			
Short-term loans	1,014,880	150,000	327,006
Payables	2,534,033	2,322,091	2,169,714
Long-term loans (including current portion)	910,765	564,000	573,370
Lease liabilities	267,245	273,252	267,087

(2) Financial risk management objectives and policies

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 the Group's policy and risk appetite.

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

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(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 is 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 the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

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

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit 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 for USD and RMB.

B. Interest rate risk

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

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

C. Equity price risk

The fair value of the Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

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A charge of 5% in the price of listed equity securities measured at fair value through profit or loss could increase/decrease the Group's profit for the nine months ended September 30, 2021 and 2020 to increase/decrease by NT\$1,259 thousand and NT\$1,604 thousand, respectively.

A charge of 5% in the price of listed equity securities measured at fair value through profit or loss could increase/decrease the Group's profit for the nine months ended September 30, 2021 and 2020 to increase/decrease by NT\$15,835 thousand and NT\$0 thousand, respectively.

D. The sensitivity analysis of pre-tax income is as follows:

For the nine months ended September 30, 2021

Key Risk	Variation	Sensitivity of Profit or Loss	
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+	NT\$ 13,360 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+	542 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	-/+	256 thousand

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%	-/+	NT\$ 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

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for account and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

Credit risk from balances with banks and other financial instruments is managed according with the Group's policy. The Group only transacts with financial institutions with good credit rating. Consequently, there is no significant credit risk for these counter parties.

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(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and loans. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>September 30, 2021</u>					
Loans	\$ 1,066,237	\$ 690,390	\$ 170,375	\$ —	\$ 1,927,002
Payables	2,534,033	—	—	—	2,534,033
Lease liabilities	16,660	30,601	19,010	290,612	356,883
<u>December 31, 2020</u>					
Loans	\$ 175,187	\$ 250,000	\$ 289,000	\$ —	\$ 714,187
Payables	2,322,091	—	—	—	2,322,091
Lease liabilities	16,600	33,325	20,462	297,113	367,500
<u>September 30, 2020</u>					
Loans	\$ 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

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>September 30, 2021</u>					
Inflows	\$ 763,796	\$ —	\$ —	\$ —	\$ 763,796
Outflows	770,646	—	—	—	770,646
Net	\$ (6,850)	\$ —	\$ —	\$ —	\$ (6,850)
<u>December 31, 2020</u>					
Inflows	\$ 739,991	\$ —	\$ —	\$ —	\$ 739,991
Outflows	743,544	—	—	—	743,544
Net	\$ (3,554)	\$ —	\$ —	\$ —	\$ (3,554)
<u>September 30, 2020</u>					
Inflows	\$ 738,139	\$ —	\$ —	\$ —	\$ 738,139
Outflows	743,268	—	—	—	743,268
Net	\$ (5,129)	\$ —	\$ —	\$ —	\$ (5,129)

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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, 2021:

	Short-term Loans	Long-term Loans	Lease Liabilities	Guarantee Deposits Received	Total Liabilities from Financing Activities
As of January 1, 2021	\$ 150,000	\$ 564,000	\$ 273,252	\$ 255	\$ 987,507
Cash flows	864,880	346,765	(16,991)	—	1,194,654
Non-cash changes	—	—	10,984	—	10,984
As of September 30, 2021	<u>\$ 1,014,880</u>	<u>\$ 910,765</u>	<u>\$ 267,245</u>	<u>\$ 255</u>	<u>\$ 2,193,145</u>

Reconciliation of liabilities for the nine months ended September 30, 2020:

	Short-term Loans	Long-term Loans	Lease Liabilities	Guarantee Deposits Received	Total Liabilities from Financing Activities
As of January 1, 2020	\$ 740,000	\$ 934,565	\$ 267,915	\$ 216,029	\$ 2,158,509
Cash flows	(412,994)	(361,195)	(17,624)	(215,774)	(1,007,587)
Non-cash changes	—	—	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>

(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 maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation prices (e.g., listed equity securities, beneficiary certificates, bonds and futures).

B. Fair value of financial instruments measured at amortized cost

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

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C. Information on the fair value hierarchy of financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of September 30, 2021, December 31, 2020 and September 30, 2020 were as follows:

A. Forward foreign exchange contracts that were not designated as hedging instruments and were outstanding as of the balance sheet dates were as follows:

<u>Currency</u>	<u>Contract Period</u>	<u>Contract Amount (in thousands)</u>
<u>September 30, 2021</u>		
Sell RMB / Buy NTD	2021.06~2022.02	RMB 150,000/ NT\$ 639,356
Sell USD / Buy NTD	2021.07~2021.11	US\$ 3,000/ NT\$ 83,564
<u>December 31, 2020</u>		
Sell RMB / Buy NTD	2020.08~2021.04	RMB 78,000/ NT\$ 330,154
Sell USD / Buy NTD	2020.10~2021.03	US\$ 13,000/ NT\$ 368,953
<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

B. Foreign exchange swap contracts that were not designated as hedging instruments and were outstanding as of the balance sheet dates were as follows:

<u>Currency</u>	<u>Contract Period</u>	<u>Contract Amount (in thousands)</u>
<u>September 30, 2021</u>		
Sell RMB / Buy NTD	2021.08~2022.01	RMB 9,600/NT\$ 40,876
<u>December 31, 2020</u>		
Sell RMB / Buy NTD	2020.09~2021.02	RMB 9,600/NT\$ 40,884
<u>September 30, 2020</u>		
Sell RMB / Buy NTD	2020.08~2021.01	RMB 9,600/NT\$ 40,429

With regard to the forward foreign exchange contracts and Foreign exchange swap contracts, as they have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

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(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Inputs of each level are as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Hierarchy of fair value measurement

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
September 30, 2021				
Financial assets:				
Financial assets measured at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ 182	\$ —	\$ 182
Stocks	25,183	—	—	25,183
Financial assets measured at fair value through other comprehensive income	316,694	—	—	316,694
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Forward foreign exchange contracts	—	2,559	—	2,559
Foreign exchange swap contracts	—	183	—	183



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	Level 1	Level 2	Level 3	Total
December 31, 2020				
Financial assets:				
Financial assets measured at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ 423	\$ —	\$ 423
Stocks	29,409	—	—	29,409
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Forward foreign exchange contracts	—	11,294	—	11,294
Foreign exchange swap contracts	—	545	—	545
September 30, 2020				
Financial assets:				
Financial assets measured at fair value through profit or loss				
Forward foreign exchange contracts	\$ —	\$ 1,530	\$ —	\$ 1,530
Stocks	32,083	—	—	32,083
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss				
Forward foreign exchange contracts	—	6,046	—	6,046
Foreign exchange swap contracts	—	200	—	200

For the nine months ended September 30, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies were listed below:

	September 30, 2021			December 31, 2020		
	Foreign Currencies (in thousands)	Foreign exchange rate	NTD	Foreign Currencies (in thousands)	Foreign exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 106,119	27.840	\$ 2,954,353	\$ 79,777	28.126	\$ 2,243,797
RMB	12,741	4.305	54,854	14,240	4.3140	61,433
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 58,088	27.840	\$ 1,617,170	\$ 40,316	28.126	\$ 1,133,918
JPY	194,831	0.2489	48,493	213,684	0.2713	57,973

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
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September 30, 2020				
	Foreign Currencies (in thousands)	Foreign exchange rate		NTD
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 82,389	29.002	\$	2,389,446
RMB	11,882	4.2595		50,611
 <u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	\$ 33,650	29.002	\$	975,917
JPY	360,063	0.2746		98,873

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

As entities within the Group transact in various currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. For the three months and nine months ended September 30, 2021 and 2020, the Group's foreign exchange gain (loss) amounted to NT\$(2,946) thousand, NT\$617 thousand, NT\$(6,792) thousand and NT\$(50,110) thousand, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, 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 assigned 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. The requirements for financial asset derecognition were satisfied. Transaction details were as follows:

September 30, 2021				
Factor	Amount Transferred	Amount Advanced	Interest Rate Range	Credit Line
CTBC Bank	US\$ 2,988 thousand	US\$ 2,988 thousand	0.76%	US\$ 5,500 thousand
Taishin International Bank	US\$ 5,209 thousand	US\$ 5,209 thousand	0.69%~0.70%	NT\$ 690,000 thousand
Taipei Fubon Bank	US\$ 7,699 thousand	US\$ 7,699 thousand	0.70%	US\$ 8,000 thousand

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December 31, 2020				
Factor	Amount Transferred	Amount Advanced	Interest Rate Range	Credit Line
CTBC Bank	US\$ 623 thousand	US\$ 623 thousand	0.8034%	US\$ 5,000 thousand
Taishin International Bank	US\$ 6,758 thousand	US\$ 6,758 thousand	0.71%~0.88%	NT\$ 690,000 thousand
Taipei Fubon Bank	US\$ 1,222 thousand	US\$ 1,222 thousand	0.78%	US\$ 6,000 thousand

  

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

(13) Additional Disclosures

A. 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, 2021 (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, 2021: Please refer to Table 4.
- (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, 2021: 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, 2021: None.
- (g) Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the nine months ended September 30, 2021: 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, 2021: Please refer to Table 6.
- (i) Direct or indirect significant influence or control over the investees for the nine months ended September 30, 2021 (excluding investments in China): Please refer to Table 7.
- (j) Derivative financial instrument transactions: Please refer to Note 12.

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(k) Others: intercompany relationships and significant intercompany transactions for the nine months ended September 30, 2021: Please refer to Table 9.

B. Information on investments in Mainland China: Please refer to Table 8.

C. Information on major shareholders: Please refer to Table 10.

(14) Segment Information

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

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

The overseas segment owns manufacturing and sales functions.

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

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

A. Segment income (loss)

For the three months ended September 30, 2021

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 1,816,307	\$ 869,541	\$ —	\$ 2,685,848
Inter-segment	499,597	361,365	(860,962)	—
Total revenue	<u>\$ 2,315,904</u>	<u>\$ 1,230,906</u>	<u>\$ (860,962)</u>	<u>\$ 2,685,848</u>
Segment income (loss) (before income tax)	<u>\$ 310,713</u>	<u>\$ 27,410</u>	<u>\$ (27,315)</u>	<u>\$ 310,808</u>

Note: Inter-segment revenues were eliminated upon consolidation.

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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 nine months ended September 30, 2021

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 4,644,651	\$ 2,615,948	\$ —	\$ 7,260,599
Inter-segment	1,662,907	1,158,122	(2,821,029)	—
Total revenue	<u>\$ 6,307,558</u>	<u>\$ 3,774,070</u>	<u>\$ (2,821,029)</u>	<u>\$ 7,260,599</u>
Segment income (loss) (before income tax)	<u>\$ 781,824</u>	<u>\$ 102,385</u>	<u>\$ (86,905)</u>	<u>\$ 797,304</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.

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B. Other reconciliations of reportable segments

Assets of the Group's operating segments as of September 30, 2021, December 31, 2020 and September 30, 2020 were summarized below:

	General Management	Overseas	Adjustment and Elimination	Consolidated
As of September 30, 2021	\$ 9,650,272	\$ 5,905,248	\$ (2,719,899)	\$ 12,835,621
As of December 31, 2020	\$ 8,560,493	\$ 5,382,204	\$ (2,410,782)	\$ 11,531,915
As of September 30, 2020	\$ 8,418,712	\$ 4,814,783	\$ (1,950,049)	\$ 11,283,446

TABLE 1: FINANCING PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Note 10)	Amount Actually Drawn (Note 11)	Interest Rate Range	Nature of Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Short-term Financing (Note 6)	Loss Allowance	Collateral		Financing Limits for Individual Borrower	Limits on Total Financing Amount	Note
													Item	Value			
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables-related parties	Yes	\$ 228,040	\$ 222,720	\$ —	1.70%~4.00%	2	—	Operating capital	—	—	—	\$ 1,497,112	\$ 2,994,225	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables-related parties	Yes	399,070	389,760	—	1.70%~4.00%	2	—	Operating capital	—	—	—	1,497,112	2,994,225	(Note 7)
1	Kunshan Taiflex Electronic Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables-related parties	Yes	173,764	172,212	86,106	2.00%~4.00%	2	—	Operating capital	—	—	—	764,918	764,918	(Note 9)
1	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables-related parties	Yes	521,292	516,636	387,477	2.00%~4.00%	2	—	Operating capital	—	—	—	764,918	764,918	(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, 2021.

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 counterparty.

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 equity in the most recent financial statements. The amount of financing provided to any single entity shall not exceed 20% of the Company's net equity 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 equity. 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 equity. However, the financing amount to an individual party whose voting rights are 100% held, either directly or indirectly, by the Company shall not exceed 20% of the Company's net equity.

Note 9: For offshore companies that the Company holds, either directly and indirectly, 100% of the voting rights, both the financing provided to any single entity and the total financing shall not exceed 100% of the financing company's net equity 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/ Guarantor	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Entity (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarante e to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement Provided by Parent Company to Subsidiaries (Note 7)	Endorsement Provided by Subsidiaries to Parent Company (Note 7)	Endorsement Provided to Subsidiaries in China (Note 7)
		Name	Relationship (Note 2)										
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	2	\$ 3,742,781	\$ 490,175	\$ 473,280	\$ 5,169	—	6.32%	\$ 3,742,781	Y	N	Y
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	2	3,742,781	293,648	129,159	—	—	1.73%		Y	N	Y

Note 1: Companies are coded as follows:

(1) Issuer 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 the Company.

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

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

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

(5) Companies providing mutual endorsements/guarantees for industry peers or co-builders for purposes of undertaking a construction project.

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

(7) The same industry is engaged in joint and several guarantees for the performance of the pre-sale buildings sales contract in accordance with the Consumer Protection Law.

Note 3: The overall amount of guarantees/endorsements provided shall not exceed 50% of the Company's net equity in the most recent financial statements. The amount of guarantees/endorsements provided to a single entity.

shall not exceed 20% of the net equity 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, 2021.

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: SECURITIES HELD AS OF SEPTEMBER 30, 2021 (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

(In Thousands of New Taiwan Dollars)

Held Company Name	Securities Type (Note 1)	Securities Name (Note 1)	Relationship with the Issuer (Note 2)	Financial Statement Account	September 30,2021				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 measured at fair value through other comprehensive income - non-current	25	—	0.30%	—	—
	Non-listed (OTC) stocks	Kyoritsu Optronics Co., Ltd.	—	Financial assets measured at fair value through other comprehensive income - non-current	741	—	18.10%	—	—
	Listed stocks	APAQ Technology Co., Ltd.	—	Financial assets measured at fair value through other comprehensive income - non-current	6,102	\$ 316,694	6.86%	\$ 316,694	—
	Listed stocks	Zhen Ding Technology Holding Limited	—	Financial assets measured at fair value through profit or loss - current	255	25,183	0.03%	25,183	—

Note 1: The 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 securities is not a related party.

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

TABLE 4 : Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities (Note 1)	Financial statement account	Counter-party (Note 2)	Relationship (Note 2)	Beginning balance		Acquisition(Note 3)		Disposal(Note 3)				Ending balance	
					Units/Shares	Amount	Units/Shares	Amount	Units/Shares	Amount	Carrying Amount	Gain (Loss) on disposal	Units/Shares	Amount (Note 5)
Taiflex Scientific Co., Ltd.	APAQ Technology Co., Ltd.	Financial assets measured at fair value through other comprehensive income - non-current	-	-	-	-	6,102	\$ 386,422	-	-	-	-	6,102	\$ 316,694

Note 1: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items.

Note 2: Investors who adopt the equity method for securities accounts must fill in these two columns, and the rest are not required.

Note 3: The accumulated purchase and sale amount should be calculated separately at market price whether it reaches 300 million yuan or 20% of the paid-in capital.

Note 4: Paid-in capital refers to the paid-in capital of the parent company. If the stock has no denomination or the denomination per share is not NT\$10, the transaction amount of 20% of the paid-in capital shall be attributable to the balance sheet 10% of the owner's equity of the parent company is calculated.

Note 5: The amount at the end of the period includes the unrealized gains and losses of financial assets.

TABLE 5: RELATED PARTY TRANSACTIONS WITH PURCHASE OR SALES AMOUNT OF AT LEAST NT\$100 MILLION OR 20% OF THE 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	\$ 1,122,317	18.65%	180 days from the end of month	—	—	\$ 1,100,241	31.15%	—
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	391,394	6.50%	180 days from the end of month	—	—	305,097	8.64%	—
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	1,122,317	53.07%	180 days from the end of month	—	—	(1,100,241)	(59.51%)	—
Shenzhen Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	Purchases	984,171	46.54%	180 days from the end of month	—	—	(743,527)	(40.21%)	—
Kunshan Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	391,394	70.61%	180 days from the end of month	—	—	(305,097)	(85.82%)	—
Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's ultimate parent company	Purchases	117,923	21.27%	180 days from the end of month	—	—	(45,144)	(12.70%)	—
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	Sales	984,171	88.60%	180 days from the end of month	—	—	743,527	89.28%	—
Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	The company's associate	Sales	117,923	10.62%	180 days from the end of month	—	—	45,144	5.42%	—

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.

TABLE 6: RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE CAPITAL

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationships	Ending Balance	Turnover Ratio (times)	Overdue		Amounts Received in Subsequent Periods	Lost Allowance	Note
					Amount	Action Taken			
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	\$ 1,100,241	1.43	—	—	\$ 129,909	—	—
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	305,097	2.90	—	—	40,679	—	—
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	19	(Note 1)	—	—	—	—	—
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	743,527	1.79	—	—	121,804	—	—
Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	387,477	(Note 1)	—	—	—	—	—

Note 1: These are recognized as other receivables. Thus, turnover ratio analysis does not apply.

TABLE 7: INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE OR CONTROL DIRECTLY OR INDIRECTLY (EXCLUDING INVESTEEES IN MAINLAND CHINA)

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2021			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				September 30, 2021	December 31, 2020	Shares (In Thousands)	Ownership Percentage	Carrying Amount			
Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	Belize	Investment holding	\$ 704,536	\$ 704,536	21,825	100.00%	\$ 795,707	\$ 20,037	\$ 20,037	(Note 1)
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	588	—	—	—
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	294,102	294,102	13,700	53.86%	232,431	18,744	10,096	—
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	102,894	102,894	3,972	15.07%	30,206	10,148	1,374	—
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	496,608	17,570	9,127	(Note 1)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	1,316,239	1,062,808	44,000	73.94%	1,477,934	61,362	43,792	—
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	16,302	173	173	—
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	260	260	—
Taiflex Scientific Co., Ltd.	Geckos Technology Corp.	Taiwan	Manufacturing and selling of electronic materials	28,699	28,699	2,524	29.19%	14,944	(19,579)	(6,626)	—
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor materials	246,000	66,000	17,000	100.00%	237,856	(3,560)	(3,560)	(註一)
Taiflex Scientific Co., Ltd.	Taiflex Green Power Co., Ltd.	Taiwan	Generation and selling of electricity from renewables	20,000	—	2,000	100.00%	19,943	(57)	(57)	(註一)
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	26.06%	520,972	61,362	17,570	
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	764,983	20,816	20,816	—
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	28,649	28,649	960	100.00%	16,631	(1,139)	(1,139)	—
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	28,500	28,500	955	100.00%	16,381	(1,139)	(1,139)	—

Note 1: Including unrealized gain/loss between affiliates.

TABLE 8: INFORMATION ON INVESTMENTS IN MAINLAND CHINA

(In Thousands of New Taiwan Dollars)

Investor	Investee	Main Businesses	Total Amount of Capital	Method of Investment (Note 1)	Accumulated Outflows of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflows of Investment from Taiwan as of September 30, 2021	Net Income (Loss) of Investee	Percentage of Ownership (Direct or Indirect Investment)	Investment Income (Loss) Recognized	Carrying Amount as of September 30, 2021	Accumulated Inward Remittances of Earnings as of September 30, 2021
						Outflow	Inflow						
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Selling of chemical products, electronic materials and electronic components	\$767,141 (USD24,000,000)	2	\$ 767,141	-	-	\$ 767,141	\$ 20,816	100.00%	\$ 20,816	\$ 764,918	\$135,257
	Rudong Fuzhan Scientific Co., Ltd.	Manufacturing and selling of electronic materials	\$1,316,239 (USD\$44,000,000)	2	1,062,808	\$ 253,431	-	1,316,239	12,928	100.00%	12,928	1,330,103	-
	Shenzhen Taiflex Electronic Co., Ltd.	Trading of coating materials for high polymer film and copper foil	\$479,160 (USD15,500,000)	2	479,160	-	-	479,160	48,436	100.00%	48,436	668,745	-
Koatech Technology Corporation	Kunshan Koatech Technology Corporation	A wholesaler and a commission agent of electronic materials and components	\$28,351 (USD950,000)	2	28,351	-	-	28,351	(1,139)	53.86%	(613)	8,816	-
Accumulated Outflows of Investment from Taiwan to Mainland China as of September 30, 2021					Investment Amounts Authorized by Investment Commission, MOEA					Upper Limit on Investment			
Taiflex Scientific Co., Ltd.		\$2,562,540			\$2,580,303					(Note 3)			
Koatech Technology Corporation		\$28,351			\$28,351					(Note 4)\$165,105			

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: NTS\$275,175 thousand  $\times$  60% = NTS\$165,105 thousand

TABLE 9: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE YEAR ENDED SEPTEMBER 30, 2021

(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	Operating revenues	1,122,317	General trading terms	15.46%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	1,100,241	General trading terms	8.57%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Operating revenues	391,394	General trading terms	5.39%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Accounts receivable	305,097	General trading terms	2.38%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Other receivables	19	General trading terms	0.00%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Operating revenues	984,171	General trading terms	13.55%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Accounts receivable	743,527	General trading terms	5.79%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Operating revenues	117,923	General trading terms	1.62%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Accounts receivable	45,144	General trading terms	0.35%
2	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	3	Other receivables	387,477	General trading terms	3.02%

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)

Name of Major Shareholders	Total Shares Owned	Ownership Percentage
Chang Wah Electromaterials Inc.	20,413,000	9.76%
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.