

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

**Consolidated Financial Statements for the**  
**Three Months Ended March 31, 2021 and 2020 and**  
**Independent Auditors' Review Report**

Address: No.1, Huanqu 3rd Rd., Qianzhen Dist., Kaohsiung City, Taiwan (R.O.C.)  
Telephone: 886-7-813-9989

**Notice to Readers**

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

## Table of Contents

Item	Page
1. Cover	
2. Table of Contents	1
3. Independent Auditors' Review Report	2
4. Consolidated Balance Sheets	3-4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7-8
8. Notes to Consolidated Financial Statements	
(1) History and Organization	9
(2) Date and Procedures of Authorization of Financial Statements	9
(3) Newly Issued or Revised Standards and Interpretations	9-12
(4) Summary of Significant Accounting Policies	12-13
(5) Critical Accounting Judgments and Major Sources of Estimation and Uncertainty	13
(6) Details of Significant Accounts	13-32
(7) Related Party Transactions	32-33
(8) Pledged Assets	33
(9) Significant Contingent Liabilities and Unrecognized Contract Commitments	33
(10) Significant Disaster Loss	33
(11) Significant Subsequent Events	33
(12) Others	34-42
(13) Additional Disclosures	
A. Information on Significant Transactions and Investees	42-43, 45-49, 51
B. Information on Investments in Mainland China	43,50
C. Information on Major Shareholders	43,52
(14) Operating Segment	43-44

## **Independent Auditors' Review Report**

To Taiflex Scientific Co., Ltd.

### **Introduction**

We have reviewed the consolidated balance sheets of Taiflex Scientific Co., Ltd. and its subsidiaries (hereinafter referred to as "Taiflex Group") as of March 31, 2021 and 2020; and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and notes to consolidated financial statements (including a summary on significant accounting policies). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting", endorsed and issued into effect by Financial Supervisory Commission 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." A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, we did not discover matters which would lead us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial status of Taiflex Group as of March 31, 2021 and 2020, and its consolidated financial performance and cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission.

Ernst & Young, Taiwan

April 28, 2021

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
March 31, 2021, December 31, 2020 and March 31, 2020  
(Numbers as of March 31, 2021 and 2020 Are Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

Assets	Notes	March 31, 2021	December 31, 2020	March 31, 2020
<b>Current assets</b>				
Cash and cash equivalents	4, 6(1)	\$ 1,923,409	\$ 1,793,632	\$ 2,499,995
Financial assets at fair value through profit or loss - current	4, 6(2)	30,746	29,832	27,560
Financial assets at amortized cost - current	4, 6(3)	162,942	138,719	231,189
Notes receivable, net	4, 6(4)	1,066,542	727,722	716,683
Accounts receivable, net	4, 6(5)	3,071,459	3,454,652	2,265,567
Other receivables		71,807	54,596	46,395
Inventories, net	4, 6(6)	1,610,203	1,282,343	1,062,744
Prepayments		77,789	77,403	121,816
Non-current assets held for sale	4, 6(7)	-	-	467,020
Other current assets	8	25,238	22,902	36,920
Total current assets		<u>8,040,135</u>	<u>7,581,801</u>	<u>7,475,889</u>
<b>Non-current assets</b>				
Financial assets at fair value through other comprehensive income - non-current	4, 6(8)	89,238	-	-
Investments accounted for under the equity method	4, 6(9)	39,513	40,984	45,884
Property, plant and equipment	4, 6(10)	3,204,203	3,176,745	3,125,049
Right-of-use assets	4, 6(21)	377,772	380,857	375,653
Intangible assets	4, 6(11,13)	121,595	124,053	125,012
Deferred income tax assets	4, 6(24)	195,821	200,958	212,655
Other non-current assets	4, 6(12)	14,842	26,517	16,520
Total non-current assets		<u>4,042,984</u>	<u>3,950,114</u>	<u>3,900,773</u>
<b>Total assets</b>		<u>\$ 12,083,119</u>	<u>\$ 11,531,915</u>	<u>\$ 11,376,662</u>

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS-(Continued)  
March 31, 2021, December 31, 2020 and March 31, 2020  
(Numbers as of March 31, 2021 and 2020 Are Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	March 31, 2021	December 31, 2020	March 31, 2020
<b>Current liabilities</b>				
Short-term loans	6(14)	\$ 246,285	\$ 150,000	\$ 520,000
Financial liabilities at fair value through profit or loss - current	4, 6(15)	9,545	11,839	267
Contract liabilities - current	4, 6(19)	9,565	2,508	1,347
Notes payable		768	381	459
Accounts payable		1,920,053	1,747,887	1,160,740
Other payables		612,833	573,823	480,365
Current income tax liabilities	4, 6(24)	318,223	276,047	152,829
Lease liabilities - current	4, 6(21)	15,826	16,600	14,536
Current portion of long-term loans	6(16)	25,000	25,000	-
Other current liabilities		3,246	2,387	2,898
Total current liabilities		<u>3,161,344</u>	<u>2,806,472</u>	<u>2,333,441</u>
<b>Non-current liabilities</b>				
Long-term loans	6(16)	536,553	539,000	863,370
Deferred income tax liabilities	4, 6(24)	96,031	89,642	82,137
Lease liabilities – non-current	4, 6(21)	254,622	256,652	252,351
Net defined benefit liabilities - non-current	4, 6(17)	263,175	261,958	221,359
Other non-current liabilities	4, 12	255	255	213,103
Total non-current liabilities		<u>1,150,636</u>	<u>1,147,507</u>	<u>1,632,320</u>
Total liabilities		<u>4,311,980</u>	<u>3,953,979</u>	<u>3,965,761</u>
<b>Equity attributable to shareholders of the parent</b>				
Capital	6(18)			
Common stock		2,091,197	2,091,197	2,091,197
Capital surplus	6(18)	1,068,013	1,066,147	1,342,765
Retained earnings				
Legal capital reserve		939,900	939,900	882,821
Special capital reserve		230,993	230,993	166,117
Unappropriated earnings		3,538,975	3,365,926	3,077,691
Total retained earnings		<u>4,709,868</u>	<u>4,536,819</u>	<u>4,126,629</u>
Others	4	<u>(219,671)</u>	<u>(234,299)</u>	<u>(256,723)</u>
Total equity attributable to shareholders of the parent		<u>7,649,407</u>	<u>7,459,864</u>	<u>7,303,868</u>
Non-controlling interests	4, 6(18)	<u>121,732</u>	<u>118,072</u>	<u>107,033</u>
Total equity		<u>7,771,139</u>	<u>7,577,936</u>	<u>7,410,901</u>
<b>Total liabilities and equity</b>		<u>\$ 12,083,119</u>	<u>\$ 11,531,915</u>	<u>\$ 11,376,662</u>

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

(Concluded)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the Three Months Ended March 31, 2021 and 2020  
(Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

	Notes	Three Months Ended March 31	
		2021	2020
Net revenue	4, 6(19)	\$ 2,202,475	\$ 1,614,049
Cost of revenue	4, 6(6)	(1,694,763)	(1,273,972)
Gross profit		<u>507,712</u>	<u>340,077</u>
Operating expenses	4, 6(22)		
Sales and marketing expenses		(123,685)	(86,334)
General and administrative expenses		(96,119)	(66,335)
Research and development expenses		(69,685)	(61,518)
Expected credit gains	6(20)	1,187	595
Total operating expenses		<u>(288,302)</u>	<u>(213,592)</u>
Operating income		<u>219,410</u>	<u>126,485</u>
Non-operating income and expenses	6(23)		
Interest income		1,062	2,569
Other income		2,687	7,800
Other gains and losses		21,172	(27,538)
Finance costs		(3,599)	(4,682)
Share of profit or loss of associates accounted for under the equity method	4, 6(9)	<u>(3,337)</u>	<u>(3,592)</u>
Total non-operating income and expenses		<u>17,985</u>	<u>(25,443)</u>
Income before income tax		237,395	101,042
Income tax expense	4, 6(24)	<u>(60,738)</u>	<u>(16,934)</u>
Net income of continuing operations		<u>176,657</u>	<u>84,108</u>
Net income		<u>176,657</u>	<u>84,108</u>
Other comprehensive income (loss)	6(23)		
Items that will not be reclassified subsequently to profit or loss			
Unrealized gain on investments in equity instruments at fair value through other comprehensive income		2,001	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		15,849	(32,279)
Income tax (expenses) benefits related to items that may be reclassified subsequently to profit or loss		<u>(3,170)</u>	<u>6,456</u>
Total other comprehensive income, net of tax		<u>14,680</u>	<u>(25,823)</u>
Total comprehensive income		<u>\$ 191,337</u>	<u>\$ 58,285</u>
Net income attributable to:	4, 6(25)		
Shareholders of the parent		\$ 173,049	\$ 83,549
Non-controlling interests		3,608	559
		<u>\$ 176,657</u>	<u>\$ 84,108</u>
Total comprehensive income attributable to:			
Shareholders of the parent		\$ 187,677	\$ 57,819
Non-controlling interests		3,660	466
		<u>\$ 191,337</u>	<u>\$ 58,285</u>
Earnings per share (NT\$)	4, 6(25)		
Earnings per share - basic		\$ 0.83	\$ 0.40
Earnings per share - diluted		<u>\$ 0.83</u>	<u>\$ 0.40</u>

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the Three Months Ended March 31, 2021 and 2020  
(Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

Item	Equity Attributable to Shareholders of the Parent									
	Retained Earnings					Others				
	Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain/Loss on Financial Assets at Fair Value through Other Comprehensive Income	Total	Non- Controlling Interests	Total Equity
Balance as of January 1, 2020	\$ 2,091,197	\$ 1,342,759	\$ 882,821	\$ 166,117	\$ 2,994,142	\$ (224,393)	\$ (6,600)	\$ 7,246,043	\$ 106,567	\$ 7,352,610
Changes in other capital surplus										
Adjustments to share of changes in equities of associates		6						6		6
Net income for the three months ended March 31, 2020					83,549			83,549	559	84,108
Other comprehensive income for the three months ended March 31, 2020						(25,730)		(25,730)	(93)	(25,823)
Total comprehensive income	-	-	-	-	83,549	(25,730)	-	57,819	466	58,285
Balance as of March 31, 2020	<u>\$ 2,091,197</u>	<u>\$ 1,342,765</u>	<u>\$ 882,821</u>	<u>\$ 166,117</u>	<u>\$ 3,077,691</u>	<u>\$ (250,123)</u>	<u>\$ (6,600)</u>	<u>\$ 7,303,868</u>	<u>\$ 107,033</u>	<u>\$ 7,410,901</u>
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
Changes in other capital surplus										
Adjustments to share of changes in equities of associates		1,866						1,866		1,866
Net income for the three months ended March 31, 2021					173,049			173,049	3,608	176,657
Other comprehensive income for the three months ended March 31, 2021						12,627	2,001	14,628	52	14,680
Total comprehensive income	-	-	-	-	173,049	12,627	2,001	187,677	3,660	191,337
Balance as of March 31, 2021	<u>\$ 2,091,197</u>	<u>\$ 1,068,013</u>	<u>\$ 939,900</u>	<u>\$ 230,993</u>	<u>\$ 3,538,975</u>	<u>\$ (215,072)</u>	<u>\$ (4,599)</u>	<u>\$ 7,649,407</u>	<u>\$ 121,732</u>	<u>\$ 7,771,139</u>

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Three Months Ended March 31, 2021 and 2020  
(Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

	Three Months Ended March 31	
	2021	2020
Cash flows from operating activities:		
Income before income tax	\$ 237,395	\$ 101,042
Adjustments:		
Non-cash income and expense items:		
Depreciation	91,293	73,051
Amortization	5,005	4,926
Expected credit gains	(1,187)	(595)
Net loss on financial assets (liabilities) at fair value through profit or loss	84	14,541
Interest expense	3,599	4,682
Interest income	(1,062)	(2,569)
Share of loss of associates accounted for under the equity method	3,337	3,592
Gain on disposal of property, plant and equipment	(338)	-
Impairment loss for non-financial assets	(2,879)	-
Others	15,685	5,589
Changes in operating assets and liabilities:		
Increase in financial assets mandatorily at fair value through profit or loss	(3,292)	(4,047)
(Increase) decrease in notes receivable	(338,820)	31,968
Decrease in accounts receivable	384,149	326,926
Increase in other receivables	(17,538)	(19,248)
Increase in inventories	(343,500)	(129,767)
Increase in prepayments	(136)	(7,490)
Increase in other current assets	(2,336)	(14,262)
Increase in contract liabilities	7,057	263
Increase in notes payable	387	101
Increase in accounts payable	172,166	327,500
Increase (decrease) in other payables	11,750	(59,162)
Increase in other current liabilities	859	428
Increase in net defined benefit liabilities	1,217	1,809
Cash generated from operations	<u>222,895</u>	<u>659,278</u>
Interest received	1,389	2,898
Interest paid	(1,986)	(4,880)
Income tax paid	<u>(10,206)</u>	<u>(19,413)</u>
Net cash generated by operating activities	<u>212,092</u>	<u>637,883</u>

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

(Continued)



TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)  
For the Three Months Ended March 31, 2021 and 2020  
(Reviewed, Not Audited)  
(In Thousands of New Taiwan Dollars)

	Three Months Ended March 31	
	2021	2020
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(87,237)	-
Acquisition of financial assets at amortized cost	(24,223)	(182,189)
Acquisition of property, plant and equipment	(81,426)	(223,314)
Disposal of property, plant and equipment	338	-
Decrease in refundable deposits	11,568	782
Acquisition of intangible assets	(283)	(2,393)
Net cash used in investing activities	<u>(181,263)</u>	<u>(407,114)</u>
Cash flows from financing activities:		
Increase in short-term loans	96,285	-
Decrease in short-term loans	-	(220,000)
Repayment of long-term loans	(2,447)	(71,195)
Decrease in guarantee deposits received	-	(2,926)
Repayment of lease principal	(5,302)	(4,328)
Net cash generated by (used in) financing activities	<u>88,536</u>	<u>(298,449)</u>
Effect of exchange rate changes on cash and cash equivalents	10,412	(16,846)
Net increase (decrease) in cash and cash equivalents	129,777	(84,526)
Cash and cash equivalents at beginning of period	1,793,632	2,584,521
Cash and cash equivalents at end of period	<u>\$ 1,923,409</u>	<u>\$ 2,499,995</u>

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

(Concluded)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2021 and 2020 and the Year Ended December 31, 2020

(Numbers for the Three Months Ended March 31, 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 selling of flexible copper-clad laminate and cover layer. The shares of the Company commenced trading on Taipei Exchange on December 19, 2003 and were listed on the Taiwan Stock Exchange on December 17, 2009.

2. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements of the Company and its subsidiaries (the “Group”) for the three months ended March 31, 2021 and 2020 were approved and authorized for issue in the Board of Directors’ meeting on April 28, 2021.

3. Newly Issued or Revised Standards and Interpretations

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

The Group has adopted International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations and SIC interpretations endorsed by the Financial Supervisory Commission (FSC) to take effect for annual periods beginning on January 1, 2021. The first-time adoption of the newly issued or revised standards and interpretations does not have any material impact on the Group.

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

No.	Projects of New or Amended Standards and Interpretations	Effective Date
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 17	Insurance Contracts	January 1, 2023
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS 3, IAS 16 and IAS 37	Narrow-scope Amendments to IFRSs and Annual Improvements	January 1, 2022
IAS 1	Disclosure Initiative – Accounting Policies	January 1, 2023
IAS 8	Definition of Accounting Estimates	January 1, 2023
IFRS 16	COVID-19-related Rent Concessions beyond June 30, 2021	April 1, 2021

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

The plan deals with the inconsistency between IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” in relation to the loss of control over a subsidiary that is contributed to an associate or a joint venture. IAS 28 states that when non-monetary assets are contributed in exchange for an interest in an

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

(Reviewed, not Audited)

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

associate or a joint venture, the share of gains or losses shall be eliminated in accordance with the treatments of a downstream transaction. However, IFRS 10 requires a full recognition of gains or losses arising from the loss of control over a subsidiary. The amendments place restrictions on the above-mentioned rules of IAS 28. The gains or losses from the sale or contribution of assets defined as a business under IFRS 3 shall be recognized in full.

The amendments also change IFRS 10 so that gains or losses arising from the sale or contributions of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture are recognized only to the extent of their shares owned by non-investors.

B. IFRS 17 “Insurance Contracts”

The standard provides a comprehensive model for the insurance contracts, including all relevant accounting aspects (the principles of recognition, measurement, presentation and disclosure). The core of IFRS 17 is the General Model where a group of insurance contracts is measured at the sum of fulfilment cash flows and contractual service margin at initial recognition. At the end of each reporting period, the carrying amount of the groups of insurance contracts is the sum of liabilities for remaining coverage and incurred claims.

Besides the General Model, the specific approach for contracts with direct participation features (Variable Fee Approach) and the simplified approach for short-term contracts (Premium Allocation Approach) are also provided.

After the issuance of IFRS 17 in May 2017, amendments were released in June 2020. Besides deferring the effective date by 2 years (i.e., from January 1, 2021 to January 1, 2023) and providing additional exemptions in the transitional provisions, the amendments simplify some requirements to lower the implementation cost and revise some requirements to make explanations in certain circumstances easier. The adoption of IFRS 17 will replace the transitional provisions (i.e., IFRS 4 “Insurance Contracts”).

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

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

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

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

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

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

(Reviewed, not Audited)

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

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

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

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

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

- (d) Annual improvements to IFRSs 2018-2020 cycle

Amendments to IFRS 1

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

Amendments to IFRS 9 “Financial Instruments”

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

Amendments to illustrative examples of IFRS 16 “Leases”

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

Amendments to IAS 41

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

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

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

- F. Definition of Accounting Estimates (Amendments to IAS 8)

The amendments define accounting estimates and revise IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” to help companies distinguish between a change in an accounting policy and a change in an accounting estimate.

- G. COVID-19-related Rent Concessions beyond June 30, 2021 (Amendments to IFRS 16)

The amendments extend the practical expedient in paragraph 46A of IFRS 16 “Leases” by one year.

For the aforementioned standards and interpretations issued by IASB but not yet endorsed by FSC, the effective dates are to be determined by FSC. The potential effects of the new, revised and amended standards or interpretations in paragraphs A and C to G on the Group are under

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

assessment; thus, they cannot be reasonably estimated. The adoption of other newly issued or revised standards and interpretations does not have any material impact on the Group.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements for the three months ended March 31, 2021 and 2020 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” endorsed and issued into effect by FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statements

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Ownership Percentage		
			2021.3.31	2020.12.31	2020.3.31
The Company	Taistar Co., Ltd. (Taistar)	Investment holding	100.00%	100.00%	100.00%
The Company	Leadmax Ltd. (Leadmax)	Trading of electronic materials	100.00%	100.00%	100.00%
The Company	Koatech Technology Corporation (Koatech)	Manufacturing and selling of electronic materials and components	53.86%	53.86%	53.86%
The Company	TFS Co., Ltd. (TFS)	Investment holding	100.00%	100.00%	100.00%
The Company	Taiflex Scientific Japan Co., Ltd. (Japan Taiflex)	Trading and technical support of electronic materials	100.00%	100.00%	100.00%
The Company	Taiflex USA Corporation (USA Taiflex)	Technical support and marketing of electronic materials	100.00%	100.00%	100.00%
The Company	Richstar Co., Ltd. (Richstar)	Investment holding	69.29%	69.29%	69.29%
The Company	Taichem Materials Co., Ltd. (Taichem Materials)	Manufacturing and selling of semiconductor materials	100.00%	100.00% (Note 1)	-
The Company	Taiflex Green Power Co., Ltd. (Taiflex Green Power)	Generation and selling of electricity from renewables	100.00% (Note 2)	-	-
Taistar	TSC International Ltd. (TSC)	Investment holding	100.00%	100.00%	100.00%

(Continued)

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

(Reviewed, not Audited)

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

Investor	Subsidiary	Main Business	Ownership Percentage		
			2021.3.31	2020.12.31	2020.3.31
TSC	Kunshan Taiflex Electronic Co., Ltd. (Kunshan Taiflex Electronic)	Selling of chemical products, electronic materials and electronic components	100.00%	100.00%	100.00%
TFS	Richstar Co., Ltd. (Richstar)	Investment holding	30.71%	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 selling of electronic materials	100.00%	100.00%	100.00%
Koatech	KTC Global Co., Ltd. (KTC Global)	Investment holding	100.00%	100.00%	100.00%
KTC Global	KTC PanAsia Co., Ltd. (KTC PanAsia)	Investment holding	100.00%	100.00%	100.00%
KTC PanAsia	Kunshan Koatech Technology Corporation (Kunshan Koatech)	A wholesaler and a commission agent of electronic materials and components	100.00%	100.00%	100.00%

(Concluded)

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

Note 2: The Company established Taiflex Green Power and acquired 100% of the company on March 26, 2021.

(4) The consolidated financial statements for the three months ended March 31, 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 three months ended March 31, 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. Details of Significant Accounts

(1) Cash and cash equivalents

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand and petty cash	\$ 810	\$ 643	\$ 678
Bank deposits	1,922,599	1,792,989	2,499,317
Total	<u>\$ 1,923,409</u>	<u>\$ 1,793,632</u>	<u>\$ 2,499,995</u>

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

(Reviewed, not Audited)

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

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

	March 31, 2021	December 31, 2020	March 31, 2020
Mandatorily at fair value through profit or loss:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 64	\$ 423	\$ 3,696
- Foreign exchange swap contracts	-	-	184
Stocks	30,682	29,409	23,680
Total	<u>\$ 30,746</u>	<u>\$ 29,832</u>	<u>\$ 27,560</u>

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

(3) Financial assets at amortized cost – current

	March 31, 2021	December 31, 2020	March 31, 2020
Time deposits – current	\$ 128,800	\$ 79,000	\$ 98,800
Restricted bank deposits	34,142	59,719	132,389
Total	<u>\$ 162,942</u>	<u>\$ 138,719</u>	<u>\$ 231,189</u>

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

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

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable, net	<u>\$ 1,066,542</u>	<u>\$ 727,722</u>	<u>\$ 716,683</u>

The Group's notes receivables were not pledged.

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

(5) Accounts receivable, net

	March 31, 2021	December 31, 2020	March 31, 2020
Accounts receivable	\$ 3,118,876	\$ 3,503,025	\$ 2,320,760
Less: Loss allowance	(47,417)	(48,373)	(55,193)
Accounts receivable, net	<u>\$ 3,071,459</u>	<u>\$ 3,454,652</u>	<u>\$ 2,265,567</u>

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

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

(Reviewed, not Audited)

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

- B. The credit terms of accounts receivables are generally set at 60 to 180 days from the end of month. The gross carrying amounts were NT\$3,118,876 thousand, NT\$3,503,025 thousand and NT\$2,320,760 thousand as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively. Please refer to Note 6(20) for loss allowance for the three months ended March 31, 2021 and 2020 and Note 12 for credit risk.
- C. The Company entered into factoring agreements without recourse with banks for accounts receivable selected. The Company had no factoring agreements as of March 31, 2020 and details as of March 31, 2021 and December 31, 2020 were as follows:

March 31, 2021				
Factor	Amount of Accounts Receivable	Amount of Factoring	Condition	Unreceived Amount (Recorded as Other Receivables)
CTBC Bank	US\$1,825 thousand	US\$1,825 thousand	Without recourse	-
Taishin International Bank	US\$4,941 thousand	US\$4,941 thousand	Without recourse	-
Taipei Fubon Bank	US\$5,847 thousand	US\$5,847 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	-

(6) Inventories, net

	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials	\$ 632,320	\$ 586,792	\$ 365,227
Inventories in transit	114,998	88,121	85,787
Supplies	22,860	17,256	8,997
Work in process	104,735	-	87,535
Finished goods	462,976	366,149	286,187
Merchandise	272,314	224,025	229,011
Total	<u>\$ 1,610,203</u>	<u>\$ 1,282,343</u>	<u>\$ 1,062,744</u>

The Group recognized NT\$1,694,763 thousand and NT\$1,273,972 thousand of operating costs associated with inventories for the three months ended March 31, 2021 and 2020, respectively. The amounts included NT\$14,905 thousand and NT\$1,211 thousand of inventory valuation loss for inventories written down to their net realizable value for the three months ended March 31, 2021 and 2020, respectively. They were recognized as additions to operating costs.

The aforementioned inventories were not pledged.



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

(Reviewed, not Audited)

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

(7) Non-current assets held for sale

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Non-current assets held for sale</u>			
Property, plant and equipment	\$ -	\$ -	\$ 441,052
Right-of-use assets	-	-	18,293
Other non-current assets	-	-	7,675
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 467,020</u>

The subsidiary, Kunshan Taiflex Electronic Co., Ltd., had 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 of Directors' meeting on December 12, 2019. Thus, these assets were classified as non-current assets held for sale. The handover of these property, plant and equipment, right-of use assets - land and other non-current assets was completed in the third quarter of 2020 with proceeds of RMB 138,710 thousand (approximately NT\$590,835 thousand with net proceeds of NT\$482,187 thousand after deducting relevant expenses and land value increment tax.) As of March 31, 2021, the uncollected amount was RMB 2,000 thousand (approximately NT\$8,684 thousand and recognized under other receivables). As of the date of this financial report, the final payment was still pending for collection.

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

	March 31, 2021	December 31, 2020	March 31, 2020
Equity instrument investments at fair value through other comprehensive income – non-current:			
Publicly traded stocks	\$ 89,238	\$ -	\$ -
Non-publicly traded stocks	-	-	-
Total	<u>\$ 89,238</u>	<u>\$ -</u>	<u>\$ -</u>

The said financial assets at fair value through other comprehensive income were not pledged. Please refer to Table 3 for details.

(9) Investments accounted for under the equity method

Investee	March 31, 2021		December 31, 2020		March 31, 2020	
	Amount	Ownership Percentage	Amount	Ownership Percentage	Amount	Ownership Percentage
Investments in associates:						
Innovision FlexTech Corp.	\$ 27,678	15.07%	\$ 28,835	15.07%	\$ 34,085	15.07%
Geckos Technology Corp.	11,835	37.97%	12,149	42.08%	11,799	31.24%
Net	<u>\$ 39,513</u>		<u>\$ 40,984</u>		<u>\$ 45,884</u>	

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

A. The shares of profit or loss of associates accounted for under the equity method based on the associates' unreviewed financial statements for the three months ended March 31, 2021 and 2020 were as follows:

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

(Reviewed, not Audited)

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

Investee	Three Months Ended March 31	
	2021	2020
Innovision FlexTech Corp.	\$ (1,164)	\$ (2,139)
Geckos Technology Corp.	(2,173)	(1,453)
Total	<u>\$ (3,337)</u>	<u>\$ (3,592)</u>

- B. The Group accounted for Innovision FlexTech Corp. (Innovision) using the equity method as it had significant influence over the investee through ownership and representation on Innovision's board of directors.
- C. Determinant on having only significant influence: Although the Group owns 37.97% of the voting power of Geckos Technology Corp., the other shareholders enjoy the advantage of relative majority in directing activities of the investee. Therefore, instead of control, the Group has only significant influence over Geckos Technology Corp.
- D. The summarized financial information of the Group's investments in associates was as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Total assets	\$ 421,687	\$ 440,882	\$ 526,059
Total liabilities	\$ 220,418	\$ 233,976	\$ 279,758

	Three Months Ended March 31	
	2021	2020
Revenue	\$ 45,604	\$ 39,736
Net (loss)	\$ (12,224)	\$ (18,663)

(10) Property, plant and equipment

	March 31, 2021	December 31, 2020	March 31, 2020
Owner-occupied property, plant and equipment	<u>\$ 3,204,203</u>	<u>\$ 3,176,745</u>	<u>\$ 3,125,049</u>

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 March 31, 2021
<u>Cost</u>							
Land	\$ 100,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,843
Buildings	1,639,242	69,002	-	-	-	2,295	1,710,539
Machinery and equipment	2,958,492	15,533	(3,462)	52,316	-	1,664	3,024,543
Hydropower equipment	438,521	3,340	-	-	-	327	442,188
Testing equipment	382,967	3,461	(40)	1,868	-	147	388,403
Miscellaneous equipment	386,551	1,675	(3,263)	(53,883)	-	212	331,292
Total	<u>\$ 5,906,616</u>	<u>\$ 93,011</u>	<u>\$ (6,765)</u>	<u>\$ 301</u>	<u>\$ -</u>	<u>\$ 4,645</u>	<u>\$ 5,997,808</u>

(Continued)

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

(Reviewed, not Audited)

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

	As of January 1, 2021	Additions	Disposals	Reclassification	Impairment Loss (Gain on Recovery)	Effect of Exchange Rate Changes	As of March 31, 2021
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 472,642	\$ 17,506	\$ -	\$ -	\$ -	\$ 29	\$ 490,177
Machinery and equipment	1,960,842	48,266	(3,462)	49,613	-	52	2,055,311
Hydropower equipment	244,201	4,952	-	-	-	11	249,164
Testing equipment	195,360	9,243	(40)	89	-	20	204,672
Miscellaneous equipment	278,077	5,995	(3,263)	(49,401)	(2,879)	62	228,591
Total	<u>\$ 3,151,122</u>	<u>\$ 85,962</u>	<u>\$ (6,765)</u>	<u>\$ 301</u>	<u>\$ (2,879)</u>	<u>\$ 174</u>	<u>\$ 3,227,915</u>
Construction in progress and equipment awaiting inspection	421,251	15,280	-	(2,543)	-	322	434,310
Net	<u>\$ 3,176,745</u>						<u>\$ 3,204,203</u>

(Concluded)

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

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

(Reviewed, not Audited)

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

B. Upon assessment, the Group determined that a part of machinery and equipment had gains on recovery of impairment loss and recognized such gains of NT\$2,879 thousand for the three months ended March 31, 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 March 31, 2021
<u>Cost</u>					
Trademarks	\$ 691	\$ -	\$ -	\$ -	\$ 691
Patents	47,677	143	-	-	47,820
Software cost	182,327	140	2,126	44	184,637
Goodwill	69,781	-	-	-	69,781
Total	<u>\$ 300,476</u>	<u>\$ 283</u>	<u>\$ 2,126</u>	<u>\$ 44</u>	<u>\$ 302,929</u>
<u>Accumulated amortization and impairment</u>					
Trademarks	\$ 436	\$ 13	\$ -	\$ -	\$ 449
Patents	39,880	207	-	-	40,087
Software cost	136,107	4,671	-	20	140,798
Total	<u>176,423</u>	<u>\$ 4,891</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>181,334</u>
Net	<u>\$ 124,053</u>				<u>\$ 121,595</u>
	As of January 1, 2020	Additions	Reclassification	Effect of Exchange Rate Changes	As of March 31, 2020
<u>Cost</u>					
Trademarks	\$ 691	\$ -	\$ -	\$ -	\$ 691
Patents	47,336	76	-	-	47,412
Software cost	165,294	2,317	136	1,116	168,863
Goodwill	69,781	-	-	-	69,781
Total	<u>\$ 283,102</u>	<u>\$ 2,393</u>	<u>\$ 136</u>	<u>\$ 1,116</u>	<u>\$ 286,747</u>
<u>Accumulated amortization and impairment</u>					
Trademarks	\$ 379	\$ 15	\$ -	\$ -	\$ 394
Patents	39,052	202	-	-	39,254
Software cost	116,564	4,350	-	1,173	122,087
Total	<u>155,995</u>	<u>\$ 4,567</u>	<u>\$ -</u>	<u>\$ 1,173</u>	<u>161,735</u>
Net	<u>\$ 127,107</u>				<u>\$ 125,012</u>

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

(Reviewed, not Audited)

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

(12) Other non-current assets

	March 31, 2021	December 31, 2020	March 31, 2020
Refundable deposits	\$ 13,644	\$ 25,212	\$ 15,707
Other non-current assets - other	1,198	1,305	813
Total	<u>\$ 14,842</u>	<u>\$ 26,517</u>	<u>\$ 16,520</u>

(13) Impairment testing of goodwill

Goodwill acquired through business combinations was allocated to each of the cash-generating units (CGU) 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 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. Based on the analysis, the Company determined that the goodwill of NT\$69,781 thousand was not impaired.

Key assumptions in calculating the fair value less costs of disposal

The calculation of CGUs' 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 CGUs' 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 loans

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured bank loans	<u>\$ 246,285</u>	<u>\$ 150,000</u>	<u>\$ 520,000</u>

The interest rate ranges of loans were 0.73% to 1.73%, 0.73% and 0.78% to 0.83% and the unused short-term credit facilities amounted to NT\$2,904,549 thousand, NT\$2,998,806 thousand and NT\$3,066,307 thousand as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

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

	March 31, 2021	December 31, 2020	March 31, 2020
Held for trading:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 8,981	\$ 11,294	\$ 267
- Foreign exchange swap contracts	564	545	-
Total	<u>\$ 9,545</u>	<u>\$ 11,839</u>	<u>\$ 267</u>

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

(Reviewed, not Audited)

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

(16) Long-term loans

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

Creditor	2021.03.31	Contract Term and Repayment
Bank of Taiwan – syndicated loan	\$ 142,525	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	<u>565,895</u>	
Less: current portion	(25,000)	
Less: unamortized syndicated loan fee	(4,342)	
Total	<u><u>\$ 536,553</u></u>	

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	<u>564,000</u>	
Less: current portion	(25,000)	
Total	<u><u>\$ 539,000</u></u>	

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

Creditor	2020.03.31	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	300,000	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	150,000	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	80,000	2020.2.25 – 2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Subtotal	<u>863,370</u>	
Less: current portion	-	
Total	<u><u>\$ 863,370</u></u>	

- A. The interest rate ranges of loans were 0.8% to 1.2645%, 0.8% to 1.2645% and 0.83% to 1.20% as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively. Please refer to Note 8 for collateral of the long-term loans.
- B. 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 benefit plans

A. Defined contribution plan

Expenses under the defined contribution plan for the three months ended March 31, 2021 and 2020 were NT\$7,233 thousand and NT\$6,375 thousand, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan for the three months ended March 31, 2021 and 2020 were NT\$1,896 thousand and NT\$2,489 thousand, respectively.

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

(Reviewed, not Audited)

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

(18) Equity

A. Capital

- (a) The Company's authorized capital was NT\$3,000,000 thousand, divided into 300,000 thousand shares (including 15,000 thousand shares with the amount of NT\$150,000 thousand reserved for the exercise of employee stock options, preferred stock with warrants and bond with warrants), each at a par value of NT\$10 as of March 31, 2021, December 31, 2020 and March 31, 2020.
- (b) The Company's issued capital was NT\$2,091,197 thousand, divided into 209,120 thousand shares, each at a par value of NT\$10 as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

B. Capital surplus

	March 31, 2021	December 31, 2020	March 31, 2020
Additional paid-in capital	\$ 666,479	\$ 666,479	\$ 938,334
Premium from merger	262,500	262,500	262,500
Donated assets	1,970	1,970	1,970
Treasury stock transactions	27,280	27,280	27,280
Others	109,784	107,918	112,681
Total	\$ 1,068,013	\$ 1,066,147	\$ 1,342,765

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

C. Appropriation of profits and dividend policies

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

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



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

(Reviewed, not Audited)

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

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

The Company complies with Order No. Jin-Guan-Zheng-Fa-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 special capital reserves. Later when the company uses, disposes of, or reclassifies the relevant assets, it may reverse to distributable earnings a proportional amount of the special capital reserves originally set aside.

As of March 31, 2021 and 2020, special capital reserve set aside for the first-time adoption of IFRS amounted to NT\$75,546 thousand.

Information about the appropriation of 2020 earnings resolved in the Board of Directors' meeting on February 24, 2021 and the appropriations of 2019 earnings approved in the shareholders' meeting on May 28, 2020 was as follows:

	Appropriation of Earnings		Dividend per Share (NT\$)	
	2020	2019	2020	2019
Legal capital reserve	\$ 74,468	\$ 57,079	-	-
Special capital 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 NT\$271,855 thousand from capital surplus to shareholders in the form of cash. Shareholders are entitled to receive NT\$1.3 per share.

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

D. Non-controlling interests (NCI)

	Three Months Ended March 31	
	2021	2020
Beginning balance	\$ 118,072	\$ 106,567
Net income attributable to NCI	3,608	559
Other comprehensive income attributable to NCI:		
Exchange differences arising on translation of foreign operations	52	(93)
Ending balance	\$ 121,732	\$ 107,033

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

(Reviewed, not Audited)

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

(19) Revenue

	Three Months Ended March 31			
	2021		2020	
Revenue from sale of goods	\$ 2,202,475		\$ 1,614,049	
Contract balance:				
	March 31, 2021	December 31, 2020	March 31, 2020	December 31, 2019
Contract liabilities - current				
Sale of goods	\$ 9,565	\$ 2,508	\$ 1,347	\$ 1,084

Beginning balance of contract liabilities reclassified to revenue amounted to NT\$2,508 thousand and NT\$1,065 thousand for the three months ended March 31, 2021 and 2020, respectively.

(20) Expected credit gain

	Three Months Ended March 31	
	2021	2020
Operating expenses – Expected credit gain		
Accounts receivable	\$ (1,187)	\$ (595)

Please refer to Note 12 for information concerning credit risk.

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

March 31, 2021

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 4,062,285	\$ 97,811	\$ 879	\$ 24,443	\$ 4,185,418
Loss ratio	0%~1%	3%~10%	20%~50%	50%~100%	
Lifetime expected credit losses	17,850	4,948	176	24,443	47,417
Subtotal	\$ 4,044,435	\$ 92,863	\$ 703	\$ -	\$ 4,138,001

December 31, 2020

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 4,069,090	\$ 136,397	\$ -	\$ 25,260	\$ 4,230,747
Loss ratio	0%~1%	3%~10%	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

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

(Reviewed, not Audited)

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

March 31, 2020

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

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

The movements in the loss allowance for receivables in the three months ended March 31, 2021 and 2020 were as follows:

	Other Non-current		Total
	Receivables	Assets	
Balance as of January 1, 2021	\$ 48,373	\$ -	\$ 48,373
Reversal in the current period	(1,187)	-	(1,187)
Write off	-	-	-
Effect of exchange rate changes	231	-	231
Balance as of March 31, 2021	<u>\$ 47,417</u>	<u>\$ -</u>	<u>\$ 47,417</u>

	Other Non-current		Total
	Receivables	Assets	
Balance as of January 1, 2020	\$ 56,168	\$ 4,101	\$ 60,269
Reversal in the current period	(595)	-	(595)
Write off	-	-	-
Effect of exchange rate changes	(380)	-	(380)
Balance as of March 31, 2020	<u>\$ 55,193</u>	<u>\$ 4,101</u>	<u>\$ 59,294</u>

(21) Leases

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

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

A. Amounts recognized in the balance sheets

(a) Right-of-use assets

The carrying amount of right-of-use assets

	March 31, 2021	December 31, 2020	March 31, 2020
Land	\$ 349,386	\$ 350,777	\$ 355,629
Buildings	15,469	17,442	4,725
Transportation equipment	12,917	12,638	15,299
Total	<u>\$ 377,772</u>	<u>\$ 380,857</u>	<u>\$ 375,653</u>

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

(Reviewed, not Audited)

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

The Group's right-of-use assets increased by NT\$8,505 thousand and NT\$0 thousand for the three months ended March 31, 2021 and 2020, respectively.

(b) Lease liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Current	\$ 15,826	\$ 16,600	\$ 14,536
Non-current	254,622	256,652	252,351
Lease liabilities	<u>\$ 270,448</u>	<u>\$ 273,252</u>	<u>\$ 266,887</u>

Please refer to Note 6(23)C Finance costs for details on interest expenses of lease liabilities for the three months ended March 31, 2021 and 2020, and Note 12(5) Liquidity risk management for the maturity analysis on lease liabilities as of March 31, 2021 and 2020.

B. Amounts recognized in the statements of comprehensive income

Depreciation of right-of-use assets

	Three Months Ended March 31	
	2021	2020
Land	\$ 2,120	\$ 2,107
Buildings	1,539	1,311
Transportation equipment	1,672	2,079
Total	<u>\$ 5,331</u>	<u>\$ 5,497</u>

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

	Three Months Ended March 31	
	2021	2020
Expense of short-term leases	\$ 4,351	\$ 3,709
Expense of leases of low value assets (excluding short-term leases of low value assets)	1,178	219

D. Lessee's cash outflows associated with leasing activities

The Group's cash outflows from leases amounted to NT\$10,831 thousand and NT\$8,256 thousand for the three months ended March 31, 2021 and 2020, respectively.

E. Other information associated with leasing activities

Options to extend or terminate the lease

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

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

(Reviewed, not Audited)

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

event or a significant change in circumstances occurs (that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term) after the commencement date.

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

Function Nature	Three Months Ended March 31					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	118,681	105,776	224,457	87,937	73,631	161,568
Labor and health insurance	12,359	8,060	20,419	9,890	6,884	16,774
Pension	5,461	3,668	9,129	5,109	3,755	8,864
Remuneration to directors	-	5,155	5,155	-	1,963	1,963
Other employee benefits expense	12,804	7,148	19,952	8,589	6,517	15,106
Depreciation	76,159	15,134	91,293	66,918	6,133	73,051
Amortization	839	4,166	5,005	1,273	3,653	4,926

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

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

Based on profitability, the compensation to employees and remuneration to directors accrued for the three months ended March 31, 2021 and 2020 were as follows:

	Three Months Ended March 31	
	2021	2020
Compensation to employees	\$ 18,324	\$ 6,815
Remuneration to directors	5,011	1,864

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

(Reviewed, not Audited)

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

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

Information on 2020 compensation to employees and remuneration to directors resolved in the Board of Directors' meeting on January 22, 2021 and 2019 compensation to employees and remuneration to directors reported in the shareholders' meeting on May 28, 2020 was as follows:

	Years Ended December 31	
	2020	2019
Compensation to employees	\$ 75,524	\$ 64,632
Remuneration to directors	20,651	17,673

The above-mentioned 2019 compensation to employees and remuneration to directors reported in the shareholders' meeting were not significantly different from the amounts resolved in the Board of Directors' meeting on January 10, 2020 and the amounts recognized as expenses in the financial statements.

(23) Non-operating income and expenses

A. Interest income

	Three Months Ended March 31	
	2021	2020
Interest income	\$ 1,062	\$ 2,569

B. Other income

	Three Months Ended March 31	
	2021	2020
Other income	\$ 2,687	\$ 7,800

C. Other gains and losses

	Three Months Ended March 31	
	2021	2020
Gain on disposal of property, plant and equipment	\$ 338	\$ -
Foreign exchange gain (loss), net	18,356	(12,272)
Gain on reversal of impairment loss for non-financial assets	2,879	-
Loss on financial assets (liabilities) at fair value through profit or loss, net	(84)	(14,541)
Other losses	(317)	(725)
Total	\$ 21,172	\$ (27,538)

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

(Reviewed, not Audited)

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

D. Finance costs

	Three Months Ended March 31	
	2021	2020
Interest on bank borrowings	\$ (1,939)	\$ (3,477)
Interest on lease liabilities	(1,660)	(1,205)
Total	\$ (3,599)	\$ (4,682)

E. Components of other comprehensive income

For the three months ended March 31, 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 gain on investments in equity instruments at fair value through other comprehensive income	\$ 2,001	\$ -	\$ 2,001	\$ -	\$ 2,001
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	15,849	-	15,849	(3,170)	12,679
Total	\$ 17,850	\$ -	\$ 17,850	\$ (3,170)	\$ 14,680

For the three months ended March 31, 2020:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	\$ (32,279)	\$ -	\$ (32,279)	\$ 6,456	\$ (25,823)

(24) Income tax

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

Income tax recognized in profit or loss

	Three Months Ended March 31	
	2021	2020
Current income tax expense:		
Current income tax expense	\$ 47,214	\$ 38,724
Income tax adjustments on prior years	4,744	646

(Continued)

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

(Reviewed, not Audited)

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

	Three Months Ended March 31	
	2021	2020
Separate taxation for repatriated offshore funds	\$ -	\$ 11,411
Effect of exchange rate changes	(23)	4
Deferred income tax expense:		
Deferred income tax expense relating to origination and reversal of temporary differences	8,803	(33,851)
Income tax expense	<u>\$ 60,738</u>	<u>\$ 16,934</u>

(Concluded)

Income tax recognized in other comprehensive income

	Three Months Ended March 31	
	2021	2020
Deferred income tax expense (benefit):		
Exchange differences arising on translation of foreign operations	\$ 3,170	\$ (6,456)
Income tax expense (benefit) relating to components of other comprehensive income	<u>\$ 3,170</u>	<u>\$ (6,456)</u>

B. The assessment of income tax returns:

As of March 31, 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 2018
Subsidiary – Koatech Technology Corporation	Assessed and approved up to 2018

(25) Earnings per share (EPS)

	Three Months Ended March 31, 2021		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic earnings per share</u>			
Net income attributable to common shareholders of the Company	\$ 173,049	209,120	<u>\$ 0.83</u>
<u>Diluted earnings per share</u>			
Effect of dilutive potential common stocks			
Employee compensation – stock	-	344	
Net income attributable to common shareholders of the Company and effect of potential common stocks	<u>\$ 173,049</u>	<u>209,464</u>	<u>\$ 0.83</u>



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

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

7. Related Party Transactions

(1) Names and relationships

Name	Relationship
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 related parties

A. Other receivables – related parties

	March 31, 2021	December 31, 2020	March 31, 2020
Geckos	\$ 92	\$ 132	\$ -

B. Prepayments

	March 31, 2021	December 31, 2020	March 31, 2020
Innatech	\$ 503	\$ 777	\$ 463

C. Other payables – related parties

	March 31, 2021	December 31, 2020	March 31, 2020
Innatech	\$ 710	\$ 6,701	\$ 6,342
SINYA	513	1,285	—
Total	\$ 1,223	\$ 7,986	\$ 6,342

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

(Reviewed, not Audited)

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

D. Others

Rental income

	Three Months Ended March 31	
	2021	2020
Geckos	\$ 450	\$ -

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.

E. Compensation to key management of the Group

	Three Months Ended March 31	
	2021	2020
Short-term employee benefits	\$ 16,035	\$ 16,507
Post-employment benefits	83	149
Total	\$ 16,118	\$ 16,656

8. Pledged Assets

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

	Carrying Amount			Purpose of Pledge
	March 31, 2021	December 31, 2020	March 31, 2020	
Time deposits (Note)	\$ 20,082	\$ 20,081	\$ 20,031	Customs guarantee
Land	100,843	100,843	100,843	Long-term loans
Buildings	92,371	93,539	95,446	Letter of credit, short-term credit facilities and long-term loans
Total	\$ 213,296	\$ 214,463	\$ 216,320	

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

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

Details of the Group's unused letters of credit as of March 31, 2021 were as follows:

	L/C Balance	
NTD	NT\$	4,374 thousand
JPY	JPY	550,710 thousand
USD	US\$	11,258 thousand

10. Significant Disaster Loss

None.

11. Significant Subsequent Events

None.

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

12. Others

(1) Categories of financial instruments

Financial assets

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets at fair value through profit or loss:			
Mandatorily at fair value through profit or loss	\$ 30,746	\$ 29,832	\$ 27,560
Financial assets at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	1,922,599	1,792,989	2,499,317
Financial assets at amortized cost	162,942	138,719	231,189
Receivables	4,209,808	4,236,970	3,028,645
Other financial assets - current	20,081	20,081	20,031

Financial liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Financial liabilities at fair value through profit or loss:			
Held for trading	\$ 9,545	\$ 11,839	\$ 267
Financial liabilities at amortized cost:			
Short-term loans	246,285	150,000	520,000
Payables	2,533,654	2,322,091	1,641,564
Long-term loans (including current portion)	561,553	564,000	863,370
Lease liabilities	270,448	273,252	266,887

(2) Objectives and policies of financial risk management

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

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

(3) Market risk

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

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

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

(Reviewed, not Audited)

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

A. Foreign currency risk

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

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

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

B. Interest rate risk

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

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

C. Equity price risk

Equity securities of listed domestic companies held by the Group are susceptible to price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors shall review all equity investment decisions and approve where appropriate.

A 5% increase/decrease in the prices of listed companies' stocks classified as at fair value through profit or loss could cause the profit or loss for the three months ended March 31, 2021 and 2020 to increase/decrease by NT\$1,534 thousand and NT\$1,184 thousand, respectively.

A 5% increase/decrease in the prices of listed companies' stocks classified as at fair value through other comprehensive income could cause the profit or loss for the three months ended March 31, 2021 and 2020 to increase/decrease by NT\$4,462 thousand and NT\$0 thousand, respectively.

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

D. Pre-tax sensitivity analysis was as follows:

For the three months ended March 31, 2021

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$ 8,722 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ 861 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- 1,278 thousand

For the three months ended March 31, 2020

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

(4) Credit risk management

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

Credit risk is managed by each business unit subject to the Group's credit risk policies, procedures and controls. Credit risk of all counterparties is assessed by considering their financial position and ratings from credit rating agencies, past experience, current economic environment, the Group's internal rating criteria, etc. The Group also uses some credit enhancement tools, such as prepayments or insurances, to reduce the credit risk of certain customers.

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

(5) Liquidity risk management

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

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

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>March 31, 2021</u>					
Borrowings	\$ 271,866	\$ 253,700	\$ 282,853	\$ -	\$ 808,419
Payables	2,533,654	-	-	-	2,533,654
Lease liabilities	15,826	28,332	18,471	290,353	352,982
<u>December 31, 2020</u>					
Borrowings	\$ 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>March 31, 2020</u>					
Borrowings	\$ 520,248	\$ 525,000	\$ 338,370	\$ -	\$1,383,618
Payables	1,641,564	-	-	-	1,641,564
Lease liabilities	14,536	26,470	18,088	303,613	360,707

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>March 31, 2021</u>					
Inflows	\$ 768,290	\$ -	\$ -	\$ -	\$ 768,290
Outflows	779,455	-	-	-	779,455
Net	<u>\$ (11,166)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,166)</u>
<u>December 31, 2020</u>					
Inflows	\$ 739,991	\$ -	\$ -	\$ -	\$ 739,991
Outflows	743,544	-	-	-	743,544
Net	<u>\$ (3,554)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,554)</u>
<u>March 31, 2020</u>					
Inflows	\$ -	\$ -	\$ -	\$ -	\$ -
Outflows	-	-	-	-	-
Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the three months ended March 31, 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	96,285	(2,447)	(5,302)	-	88,536
Non-cash movement	-	-	2,498	-	2,498
As of March 31, 2021	<u>\$ 246,285</u>	<u>\$ 561,553</u>	<u>\$ 270,448</u>	<u>\$ 255</u>	<u>\$ 1,078,541</u>

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

(Reviewed, not Audited)

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

Reconciliation of liabilities for the three months ended March 31, 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	(220,000)	(71,195)	(4,328)	(2,926)	(298,449)
Non-cash movement	-	-	3,300	-	3,300
As of March 31, 2020	<u>\$ 520,000</u>	<u>\$ 863,370</u>	<u>\$ 266,887</u>	<u>\$ 213,103</u>	<u>\$ 1,863,360</u>

(7) Fair values of financial instruments

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

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

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

B. Fair value of financial instruments measured at amortized cost

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

C. Information on the fair value hierarchy of financial instruments

Please refer to Note 12(9) for details.

(8) Derivative instruments

As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group's derivative instruments that were not eligible for hedge accounting and were outstanding were listed as follows:

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

Currency	Contract Period	Contract Amount (in thousands)
<u>March 31, 2021</u>		
Sell RMB/Buy NTD	2020.11~2021.07	RMB 78,000/NT\$ 334,103
Sell USD/Buy NTD	2021.01~2021.07	US\$ 14,000/NT\$ 393,183
<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>March 31, 2020</u>		
Sell RMB/Buy NTD	2019.12~2020.07	RMB 102,000/NT\$ 435,947
Sell USD/Buy NTD	2020.02~2020.06	US\$ 9,000/NT\$ 271,666

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

(Reviewed, not Audited)

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

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

Currency	Contract Period	Contract Amount (in thousands)	
<u>March 31, 2021</u>			
Sell RMB/Buy NTD	2020.12~2021.05	RMB	9,600/NT\$ 41,004
<u>December 31, 2020</u>			
Sell RMB/Buy NTD	2020.09~2021.02	RMB	9,600/NT\$ 40,884
<u>March 31, 2020</u>			
Sell RMB/Buy NTD	2019.12~2020.05	RMB	9,600/NT\$ 40,962

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

(9) Fair value hierarchy

A. Definition of fair value hierarchy

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

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

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

Level 3 inputs are unobservable inputs for the asset or liability

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

B. Hierarchy of fair value measurement

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

	Level 1	Level 2	Level 3	Total
<u>March 31, 2021</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 64	\$ -	\$ 64
Foreign exchange swap contracts	-	-	-	-
Stocks	30,682	-	-	30,682

(Continued)



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

(Reviewed, not Audited)

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

	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 8,981	\$ -	\$ 8,981
Foreign exchange swap contracts	-	564	-	564
				(Concluded)
	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 423	\$ -	\$ 423
Stocks	29,409	-	-	29,409
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	11,294	-	11,294
Foreign exchange swap contracts	-	545	-	545
<u>March 31, 2020</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 3,696	\$ -	\$ 3,696
Foreign exchange swap contracts	-	184	-	184
Stocks	23,680	-	-	23,680
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	267	-	267

For the three months ended March 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value hierarchy.

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

(Reviewed, not Audited)

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

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

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

	March 31, 2021			December 31, 2020		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 78,978	28.505	\$ 2,251,268	\$ 79,777	28.126	\$ 2,243,797
RMB	20,014	4.3423	86,907	14,240	4.3140	61,433
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 48,373	28.505	\$ 1,378,782	\$ 40,316	28.126	\$ 1,133,918
JPY	208,895	0.2574	53,770	213,684	0.2713	57,973
<u>March 31, 2020</u>						
	Foreign Currencies (in thousands)	Exchange Rate	NTD			
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 59,071	30.236	\$ 1,786,071			
RMB	46,427	4.2570	197,640			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 26,919	30.236	\$ 813,923			
JPY	200,476	0.2787	55,873			

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

As entities within the Group transact in various currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. For the three months ended March 31, 2021 and 2020, the Group's foreign exchange gain (loss) amounted to NT\$18,356 thousand and NT\$(12,272) thousand, respectively.

(11) Capital management

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

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

(Reviewed, not Audited)

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

(12) Information on financial assets transferred

Derecognition of financial assets transferred in their entirety.

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

March 31, 2021				
Factor	Amount Transferred	Amount Advanced	Interest Rate Range	Credit Line
CTBC Bank	US\$1,825 thousand	US\$1,825 thousand	0.80%~0.90%	US\$ 5,000 thousand
Taishin International Bank	US\$4,941 thousand	US\$4,941 thousand	0.74%~0.88%	NT\$690,000 thousand
Taipei Fubon Bank	US\$5,847 thousand	US\$5,847 thousand	0.70%~0.78%	US\$ 6,000 thousand
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

The Group had no factoring agreements as of March 31, 2020.

13. Additional Disclosures

(1) Information on significant transactions and investees

- A. Financing provided to others: Please refer to Table 1.
- B. Endorsement/guarantee provided to others: Please refer to Table 2.
- C. Marketable securities held as of March 31, 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 three months ended March 31, 2021: None.
- E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three months ended March 31, 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 three months ended March 31, 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 three months ended March 31, 2021: Please refer to Table 4.

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

(Reviewed, not Audited)

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

- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2021: Please refer to Table 5.
- I. Direct or indirect significant influence or control over the investees for the three months ended March 31, 2021 (excluding investments in China): Please refer to Table 6.
- J. Derivative financial instrument transactions: Please refer to Note 12.
- K. Others: intercompany relationships and significant intercompany transactions for the three months ended March 31, 2021: Please refer to Table 8.

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

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

14. Operating Segment

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

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

The overseas segment owns manufacturing and sales functions.

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

Management monitors the operating results of its business units separately for the purpose of decision-making on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and measured consistently with methods applied to operating profit or loss in the consolidated financial statements.

However, finance costs, financial benefits and income taxes are managed on the Group basis and are not allocated to operating segments.

(1) Segment income (loss)

For the three months ended March 31, 2021

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 1,204,379	\$ 998,096	\$ -	\$ 2,202,475
Inter-segment	634,894	423,684	(1,058,578)	-
Total revenue	<u>\$ 1,839,273</u>	<u>\$ 1,421,780</u>	<u>\$ (1,058,578)</u>	<u>\$ 2,202,475</u>
Segment income (loss) (before income tax)	<u>\$ 226,456</u>	<u>\$ 61,485</u>	<u>\$ (50,546)</u>	<u>\$ 237,395</u>

Note: Inter-segment revenues were eliminated upon consolidation.

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

For the three months ended March 31, 2020

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

Note: Inter-segment revenues were eliminated upon consolidation.

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

	General Management	Overseas	Adjustment and Elimination	Consolidated
As of March 31, 2021	<u>\$ 9,123,799</u>	<u>\$ 6,077,587</u>	<u>\$ (3,118,267)</u>	<u>\$ 12,083,119</u>
As of December 31, 2020	<u>\$ 8,560,493</u>	<u>\$ 5,382,204</u>	<u>\$ (2,410,782)</u>	<u>\$ 11,531,915</u>
As of March 31, 2020	<u>\$ 8,648,349</u>	<u>\$ 4,492,692</u>	<u>\$ (1,764,379)</u>	<u>\$ 11,376,662</u>

TABLE 1: FINANCING PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Whether A Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Note 10)	Amount Actually Drawn (Note 11)	Interest Rate Range	Nature of Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Short-term Financing (Note 6)	Loss Allowance	Collateral		Financing Limit for Individual Borrower	Limit on Total Financing Amount	Note
													Item	Value			
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	\$ 228,040	\$ 228,040	\$ -	1.70%~4.00%	2	-	Operating capital	-	-	-	\$ 1,529,881	\$ 3,059,763	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	399,070	399,070	-	1.70%~4.00%	2	-	Operating capital	-	-	-	1,529,881	3,059,763	(Note 7)
1	Kunshan Taiflex Electronic Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	173,692	173,692	173,692	2.00%~4.00%	2	-	Operating capital	-	-	-	759,044	759,044	(Note 9)
1	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	521,076	521,076	390,807	2.00%~4.00%	2	-	Operating capital	-	-	-	759,044	759,044	(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 financing provided to others.

Note 3: The maximum balance of financing provided to others for the three months ended March 31, 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 borrower.

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

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

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

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

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

Note 11: This is the ending balance after evaluation.

TABLE 2: ENDORSEMENT/GUARANTEE PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to A Single Entity (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement/ Guarantee Secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement Provided by Parent Company to Subsidiaries (Note 7)	Endorsement Provided by Subsidiaries to Parent Company (Note 7)	Endorsement Provided to Subsidiaries in China (Note 7)
		Name	Relationship (Note 2)										
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	2	\$ 3,824,704	\$ 490,175	\$ 484,585	\$ 3,542	\$ -	6.33%	\$ 3,824,704	Y	N	Y
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	2	3,824,704	293,648	130,269	-	-	1.70%		Y	N	Y

Note 1: Companies are coded as follows:

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

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

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

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

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

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

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

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

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

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

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

Note 4: The maximum endorsement/guarantee balance for the three months ended March 31, 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: MARKETABLE SECURITIES HELD AS OF MARCH 31, 2021 (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

(In Thousands of New Taiwan Dollars)

Holder of Marketable Securities	Type of Marketable Securities (Note 1)	Name of Marketable Securities (Note 1)	Relationship with the Issuer (Note 2)	Financial Statement Account	March 31, 2021				Note
					Shares (In Thousands)	Carrying Amount (Note 3)	Ownership Percentage	Fair Value	
Taiflex Scientific Co., Ltd.	Non-listed (OTC) stocks	Exploit Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	25	-	0.30%	-	-
	Non-listed (OTC) stocks	Kyoritsu Optronics Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	741	-	18.10%	-	-
	Listed stocks	APAQ Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,324	\$ 89,238	1.57%	\$ 89,238	-
	Listed stocks	Zhen Ding Technology Holding Limited	-	Financial assets at fair value through profit or loss - current	255	30,682	0.03%	30,682	-

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

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

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



TABLE 4: RELATED PARTY TRANSACTIONS WITH PURCHASE OR SALES AMOUNT OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationships	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note
			Sales (Purchases)	Amount	Percentage to Total Sales (Purchases)	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	\$ 420,523	23.93%	180 days from the end of month	-	-	\$ 1,134,355	39.42%	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	162,610	9.25%	180 days from the end of month	-	-	218,279	7.59%	-
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	420,523	54.19%	180 days from the end of month	-	-	(1,134,355)	(56.87%)	-
Shenzhen Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	Purchases	352,854	45.47%	180 days from the end of month	-	-	(829,146)	(41.57%)	-
Kunshan Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	162,610	70.02%	180 days from the end of month	-	-	(218,279)	(58.78%)	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	Sales	352,854	84.76%	180 days from the end of month	-	-	829,146	89.05%	-

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

TABLE 5: RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationships	Ending Balance	Turnover Ratio (times)	Overdue		Amounts Received in Subsequent Periods	Lost Allowance	Note
					Amount	Action Taken			
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	\$ 1,134,355	1.58	-	-	\$ 89,404	-	-
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	4,930	(Note 1)	-	-	-	-	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	218,279	4.77	-	-	-	-	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	1,241	(Note 1)	-	-	-	-	-
Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Holds 100% of the third-tier subsidiary	62,598	2.02	-	-	-	-	-
Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Holds 100% of the third-tier subsidiary	85,163	(Note 1)	-	-	11,343	-	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	829,146	1.82	-	-	126,257	-	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	41	(Note 1)	-	-	-	-	-
Kunshan Taiflex Electronic Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	173,692	(Note 1)	-	-	-	-	-
Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	390,807	(Note 1)	-	-	-	-	-

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

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

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2021			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				March 31, 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%	\$ 783,850	\$ 8,113	\$ 8,113	(Note 1)
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	602	-	-	-
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	294,102	294,102	13,700	53.86%	226,322	8,767	4,722	-
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	102,894	102,894	3,972	15.07%	27,678	(6,698)	(1,164)	-
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	491,584	10,466	(2,948)	(Note 1)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	1,062,808	1,062,808	35,000	69.29%	1,202,164	34,085	23,619	-
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	16,596	(93)	(93)	-
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	8,820	1	100.00%	8,852	27	27	-
Taiflex Scientific Co., Ltd.	Geckos Technology Corp.	Taiwan	Manufacturing and selling of electronic materials	28,699	28,699	2,524	37.97%	11,835	(5,526)	(2,173)	-
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor materials	246,000	66,000	17,000	100.00%	236,988	(4,428)	(4,428)	-
Taiflex Scientific Co., Ltd.	Taiflex Green Power Co., Ltd.	Taiwan	Generation and selling of electricity from renewables	20,000	-	2,000	100.00%	20,000	-	-	-
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	30.71%	532,730	34,085	10,466	-
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	759,110	8,457	8,457	-
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	28,649	28,649	960	100.00%	17,210	(774)	(774)	-
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	28,500	28,500	955	100.00%	16,890	(774)	(774)	-

Note 1: Including unrealized gain/loss between companies.

TABLE 7: INFORMATION ON INVESTMENTS IN MAINLAND CHINA

(In Thousands of New Taiwan Dollars)

Investor	Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflows of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflows of Investment from Taiwan as of March 31, 2021	Profit/Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of March 31, 2021	Accumulated Inward Remittances of Earnings as of March 31, 2021
						Outflow	Inflow						
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Selling of chemical products, electronic materials and electronic components	\$767,141 (US\$24,000,000)	2	\$ 767,141	-	-	\$ 767,141	\$ 8,457	100.00%	\$ 8,457	\$ 759,044	\$ 135,257
	Rudong Fuzhan Scientific Co., Ltd.	Manufacturing and selling of electronic materials	\$1,062,808 (US\$35,000,000)	2	1,062,808	-	-	1,062,808	22,429	100.00%	22,429	1,097,318	-
	Shenzhen Taiflex Electronic Co., Ltd.	Trading of coating materials for high polymer film and copper foil	\$479,160 (US\$15,500,000)	2	479,160	-	-	479,160	11,656	100.00%	11,656	637,515	-
Koatech Technology Corporation	Kunshan Koatech Technology Corporation	A wholesaler and a commission agent of electronic materials and components	\$28,351 (US\$950,000)	2	28,351	-	-	28,351	(774)	53.86%	(417)	9,090	-
Accumulated Outflows of Investment from Taiwan to Mainland China as of March 31, 2021					Investment Amounts Authorized by the Investment Commission, MOEA					Upper Limit on Investment			
Taiflex Scientific Co., Ltd.			\$2,309,109	\$2,326,872					(Note 3)				
Koatech Technology Corporation			\$28,351	\$40,318					(Note 4) \$159,206				

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

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

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

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

Note 3: The Company received official documents issued by the Industrial Development Bureau, Ministry of Economic Affairs certifying the Company being qualified for operating headquarters in May 2019. Thus, the limit stipulated in the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China" does not apply.

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

Koatech Technology Corporation: NT\$265,343 thousand × 60% = NT\$159,206 thousand

TABLE 8: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE THREE MONTHS ENDED MARCH 31, 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	Sales revenue	420,523	General trading terms	19.09%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	1,134,355	General trading terms	9.39%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Other receivables	4,930	General trading terms	0.04%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Sales revenue	162,610	General trading terms	7.38%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Accounts receivable	218,279	General trading terms	1.81%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Other receivables	1,241	General trading terms	0.01%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Sales revenue	352,854	General trading terms	16.02%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Accounts receivable	829,146	General trading terms	6.86%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Other receivables	41	General trading terms	0.00%

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

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

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

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

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

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

Note 4: This is the ending balance after evaluation.

TABLE 9: INFORMATION ON MAJOR SHAREHOLDERS

(In Shares)

Name of Major Shareholders	Share	Total Shares Owned	Ownership Percentage
Chang Wah Electromaterials Inc.		20,098,000	9.61%
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.