

TAIFLEX SCIENTIFIC COMPANY LIMITED
AND SUBSIDIARIES

Consolidated Financial Statements for the
Six Months Ended June 30, 2022 and 2021 and
Independent Auditors' Review Report

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Notice to Readers

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

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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 June 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the six months then ended, and the 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 June 30, 2022 and 2021, its consolidated financial performance for the three months and six months ended June 30, 2022 and 2021, and its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission.

Ernst & Young, Taiwan

July 27, 2022

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2022, December 31, 2021 and June 30, 2021
(Numbers as of June 30, 2022 and 2021 Are Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

Assets	Notes	June 30, 2022	December 31, 2021	June 30, 2021
Current assets				
Cash and cash equivalents	4, 6(1)	\$ 2,414,173	\$ 3,270,401	\$ 1,650,322
Financial assets at fair value through profit or loss - current	4, 6(2)	26,604	27,529	28,021
Financial assets at amortized cost - current	4, 6(3)	49,800	276,900	114,861
Notes receivable, net	4, 6(4)	1,004,425	929,304	1,147,209
Accounts receivable, net	4, 6(5)	3,368,160	3,034,055	3,284,626
Other receivables	7	57,675	50,517	46,754
Inventories, net	4, 6(6)	2,373,192	1,868,747	1,938,088
Prepayments		86,853	51,909	108,037
Other current assets	8	55,120	47,597	48,417
Total current assets		<u>9,436,002</u>	<u>9,556,959</u>	<u>8,366,335</u>
Non-current assets				
Financial assets at fair value through other comprehensive income - non-current	4, 6(7)	301,425	372,637	319,694
Investments accounted for using the equity method	4, 6(8)	29,511	41,046	46,078
Property, plant and equipment	4, 6(9)	3,728,026	3,360,247	3,153,942
Right-of-use assets	4, 6(21)	373,701	371,103	374,072
Intangible assets	4, 6(10,12)	160,854	162,379	157,947
Deferred income tax assets	4, 6(24)	181,153	195,565	203,253
Other non-current assets	4, 6(11)	22,276	14,944	14,473
Total non-current assets		<u>4,796,946</u>	<u>4,517,921</u>	<u>4,269,459</u>
Total assets		<u>\$ 14,232,948</u>	<u>\$ 14,074,880</u>	<u>\$ 12,635,794</u>

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS-(Continued)
June 30, 2022, December 31, 2021 and June 30, 2021
(Numbers as of June 30, 2022 and 2021 Are Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	June 30, 2022	December 31, 2021	June 30, 2021
Current liabilities				
Short-term loans	6(13)	\$ 150,000	\$ 790,000	\$ 635,048
Financial liabilities at fair value through profit or loss - current	4, 6(14)	21,569	11,049	1,269
Contract liabilities - current	4, 6(19)	1,430	1,853	6,813
Notes payable		490	369	373
Accounts payable		1,727,644	1,279,303	1,945,811
Other payables	7	1,258,028	648,844	671,220
Current income tax liabilities	4, 6(24)	191,874	133,232	162,468
Lease liabilities - current	4, 6(21)	17,756	16,353	15,538
Current portion of long-term loans	6(16)	57,857	50,000	50,000
Other current liabilities		999	3,829	3,049
Total current liabilities		<u>3,427,647</u>	<u>2,934,832</u>	<u>3,491,589</u>
Non-current liabilities				
Bonds payable	6(15)	1,864,415	1,855,472	-
Long-term loans	6(16)	531,348	759,720	592,232
Deferred income tax liabilities	4, 6(24)	127,503	111,828	100,157
Lease liabilities - non-current	4, 6(21)	251,807	250,691	253,083
Net defined benefit liabilities - non-current	4, 6(17)	231,609	248,689	264,896
Other non-current liabilities	4, 12	295	255	255
Total non-current liabilities		<u>3,006,977</u>	<u>3,226,655</u>	<u>1,210,623</u>
Total liabilities		<u>6,434,624</u>	<u>6,161,487</u>	<u>4,702,212</u>
Equity attributable to shareholders of the parent				
Capital	6(18)			
Common stock		2,091,197	2,091,197	2,091,197
Capital surplus	6(18)	1,140,566	1,145,766	1,075,567
Retained earnings				
Legal reserve		1,089,400	1,014,369	939,900
Special reserve		235,996	234,299	230,993
Unappropriated earnings		3,349,675	3,515,661	3,735,107
Total retained earnings		<u>4,675,071</u>	<u>4,764,329</u>	<u>4,906,000</u>
Others	4	<u>(262,878)</u>	<u>(235,996)</u>	<u>(263,100)</u>
Total equity attributable to shareholders of the parent		<u>7,643,956</u>	<u>7,765,296</u>	<u>7,809,664</u>
Non-controlling interests	4, 6(18)	154,368	148,097	123,918
Total equity		<u>7,798,324</u>	<u>7,913,393</u>	<u>7,933,582</u>
Total liabilities and equity		<u>\$ 14,232,948</u>	<u>\$ 14,074,880</u>	<u>\$ 12,635,794</u>

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

(Concluded)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months and Six Months Ended June 30, 2022 and 2021
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

	Notes	Three Months Ended June 30		Six Months Ended June 30	
		2022	2021	2022	2021
Operating revenue	4, 6(19)	\$ 2,305,050	\$ 2,372,276	\$ 4,489,222	\$ 4,574,751
Operating costs	4, 6(6,22)	(1,701,037)	(1,787,460)	(3,404,135)	(3,482,223)
Gross profit		604,013	584,816	1,085,087	1,092,528
Operating expenses	4, 6(22)				
Sales and marketing expenses		(143,670)	(124,878)	(268,486)	(248,563)
General and administrative expenses		(124,040)	(107,141)	(239,714)	(203,260)
Research and development expenses		(105,190)	(80,121)	(205,544)	(149,806)
Expected credit (loss) gain	6(20)	(4,142)	471	(4,144)	1,658
Total operating expenses		(377,042)	(311,669)	(717,888)	(599,971)
Operating income		226,971	273,147	367,199	492,557
Non-operating income and expenses	6(23)				
Interest income		2,072	1,121	4,288	2,183
Other income		3,291	2,772	6,849	5,459
Other gains and losses		64,550	(22,359)	191,727	(1,187)
Finance costs		(7,949)	(4,591)	(17,168)	(8,190)
Share of profit or loss of associates accounted for using the equity method	4, 6(8)	299	(989)	400	(4,326)
Total non-operating income and expenses		62,263	(24,046)	186,096	(6,061)
Income before income tax		289,234	249,101	553,295	486,496
Income tax expense	4, 6(24)	(63,641)	(50,729)	(118,320)	(111,467)
Net income of continuing operations		225,593	198,372	434,975	375,029
Net income		225,593	198,372	434,975	375,029
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		(41,131)	(26,856)	(71,212)	(24,855)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(54,623)	(20,784)	55,913	(4,935)
Income tax related to items that may be reclassified subsequently to profit or loss		10,924	4,157	(11,183)	987
Total other comprehensive income, net of tax		(84,830)	(43,483)	(26,482)	(28,803)
Total comprehensive income		\$ 140,763	\$ 154,889	\$ 408,493	\$ 346,226
Net income attributable to:	4, 6(18,25)				
Shareholders of the parent		\$ 225,090	\$ 196,132	\$ 433,541	\$ 369,181
Non-controlling interests		503	2,240	1,434	5,848
		\$ 225,593	\$ 198,372	\$ 434,975	\$ 375,029
Total comprehensive income attributable to:					
Shareholders of the parent		\$ 140,873	\$ 152,703	\$ 406,673	\$ 340,380
Non-controlling interests		(110)	2,186	1,820	5,846
		\$ 140,763	\$ 154,889	\$ 408,493	\$ 346,226
Earnings per share (NT\$)	4, 6(25)				
Earnings per share - basic		\$ 1.07	\$ 0.94	\$ 2.07	\$ 1.77
Earnings per share - diluted		\$ 0.93	\$ 0.93	\$ 1.79	\$ 1.76

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Six Months Ended June 30, 2022 and 2021
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent									
	Retained Earnings					Others				
Item	Common Stock	Capital Surplus	Legal Reserve	Special 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, 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		9,420						9,420		9,420
Net income for the six months ended June 30, 2021					369,181			369,181	5,848	375,029
Other comprehensive income for the six months ended June 30, 2021						(3,946)	(24,855)	(28,801)	(2)	(28,803)
Total comprehensive income	-	-	-	-	369,181	(3,946)	(24,855)	340,380	5,846	346,226
Balance as of June 30, 2021	\$ 2,091,197	\$1,075,567	\$ 939,900	\$ 230,993	\$ 3,735,107	\$ (231,645)	\$ (31,455)	\$ 7,809,664	\$ 123,918	\$ 7,933,582
Balance as of January 1, 2022	\$ 2,091,197	\$1,145,766	\$ 1,014,369	\$ 234,299	\$ 3,515,661	\$ (213,774)	\$ (22,222)	\$ 7,765,296	\$ 148,097	\$ 7,913,393
Appropriation and distribution of 2021 earnings										
Legal reserve			75,031		(75,031)			-		-
Special reserve				1,697	(1,697)			-		-
Cash dividends for common stocks					(522,799)			(522,799)		(522,799)
Changes in other capital surplus										
Adjustments to share of changes in equities of associates		7						7		7
Net income for the six months ended June 30, 2022					433,541			433,541	1,434	434,975
Other comprehensive income for the six months ended June 30, 2022						44,344	(71,212)	(26,868)	386	(26,482)
Total comprehensive income	-	-	-	-	433,541	44,344	(71,212)	406,673	1,820	408,493
Disposal of subsidiaries accounted for using the equity method		(5,207)						(5,207)		(5,207)
Share of changes in equities of subsidiaries						(14)		(14)		(14)
Non-controlling interests									4,451	4,451
Balance as of June 30, 2022	\$ 2,091,197	\$1,140,566	\$ 1,089,400	\$ 235,996	\$ 3,349,675	\$ (169,444)	\$ (93,434)	\$ 7,643,956	\$ 154,368	\$ 7,798,324

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2022 and 2021
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2022	2021
Cash flows from operating activities:		
Income before income tax	\$ 553,295	\$ 486,496
Adjustments:		
Non-cash income and expense items:		
Depreciation	196,472	182,125
Amortization	11,603	11,080
Expected credit loss (gain)	4,144	(1,658)
Net loss (gain) on financial assets (liabilities) at fair value through profit or loss	57,218	(3,094)
Interest expense	17,168	8,190
Interest income	(4,288)	(2,183)
Share of (gain) loss of associates accounted for using the equity method	(400)	4,326
Loss on disposal of property, plant and equipment	587	2,633
Gain on disposal of investments accounted for using the equity method	(39,846)	-
Gain on reversal of impairment loss for non-financial assets	-	(2,879)
Others	59,946	45,063
Changes in operating assets and liabilities:		
Increase in financial assets mandatorily at fair value through profit or loss	(45,773)	(5,665)
Increase in notes receivable	(75,121)	(419,487)
(Increase) decrease in accounts receivable	(339,014)	171,688
(Increase) decrease in other receivables	(7,461)	7,536
Increase in inventories	(564,393)	(700,383)
Increase in prepayments	(34,420)	(24,442)
Increase in other current assets	(6,054)	(3,957)
Increase in other non-current assets	(7,846)	-
(Decrease) increase in contract liabilities	(423)	4,305
Increase (decrease) in notes payable	121	(8)
Increase in accounts payable	448,341	197,924
Increase in other payables	110,116	71,701
(Decrease) increase in other current liabilities	(2,830)	662
(Decrease) increase in net defined benefit liabilities	(17,080)	2,938
Cash generated from operations	314,062	32,911
Interest received	4,591	2,489
Interest paid	(5,427)	(5,386)
Income tax paid	(40,612)	(215,839)
Net cash generated by (used in) operating activities	272,614	(185,825)

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)
For the Six Months Ended June 30, 2022 and 2021
(Reviewed, Not Audited)
(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2022	2021
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	\$ (344,549)
Disposal of financial assets at amortized cost	227,100	23,858
Disposal of investments accounted for using the equity method	46,419	-
Acquisition of property, plant and equipment	(570,051)	(175,810)
Disposal of property, plant and equipment	40	1,677
Decrease in refundable deposits	80	11,817
Acquisition of intangible assets	(737)	(557)
Increase in other current assets - other financial assets - current	(1,469)	(21,558)
Net cash used in investing activities	(298,618)	(505,122)
Cash flows from financing activities:		
Increase in short-term loans	-	485,048
Decrease in short-term loans	(640,000)	-
Increase in long-term loans	-	78,232
Repayment of long-term loans	(220,515)	-
Increase in guarantee deposits received	40	-
Repayment of lease principal	(11,384)	(11,061)
Changes in non-controlling interests	4,437	-
Net cash (used in) generated by financing activities	(867,422)	552,219
Effect of exchange rate changes on cash and cash equivalents	37,198	(4,582)
Net decrease in cash and cash equivalents	(856,228)	(143,310)
Cash and cash equivalents at beginning of period	3,270,401	1,793,632
Cash and cash equivalents at end of period	\$ 2,414,173	\$ 1,650,322

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

(Concluded)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2022 and 2021 and the Year Ended December 31, 2021

(Numbers for the Six Months Ended June 30, 2022 and 2021 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, coverlay, bonding sheet, stiffener and composite film. Shares of the Company commenced trading on the Taipei Exchange on December 19, 2003 and were listed on the Taiwan Stock Exchange (TWSE) on December 17, 2009.

2. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended June 30, 2022 and 2021 were approved and authorized for issue in the Board of Directors’ meeting on July 27, 2022.

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, 2022. The first-time adoption 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) and endorsed by FSC:

No.	Projects of New or Amended Standards and Interpretations	Effective Date
IAS 1	Disclosure Initiative - Accounting Policies	January 1, 2023
IAS 8	Definition of Accounting Estimates	January 1, 2023
IAS 12	Deferred Tax Related to Assets and Liabilities Arising from A Single Transaction	January 1, 2023

A. 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.

B. 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.

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

C. Deferred Tax Related to Assets and Liabilities Arising from A Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of recognition exemption of deferred tax in paragraphs 15 and 24 of IAS 12 “Income Taxes” so that the exemption is no longer applicable to transactions that have the same taxable and deductible temporary differences on initial recognition.

The aforementioned new, revised or amended standards and interpretations are issued by IASB and endorsed by FSC to take effect for annual periods beginning on January 1, 2023. Upon assessment, except for paragraphs A to C, the adoption of other newly issued or revised standards and interpretations does not have any material impact on the Group.

- (3) 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 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

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

The plan deals with the inconsistency between IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” in relation to the loss of control over a subsidiary that is contributed to an associate or a joint venture. IAS 28 states that when non-monetary assets are contributed in exchange for an interest in an associate or a joint venture, the share of gains or losses shall be eliminated in accordance with the treatments of a downstream transaction. However, IFRS 10 requires a full recognition of gains or losses arising from the loss of control over a subsidiary. The amendments place restrictions on the above-mentioned rules of IAS 28. The gains or losses from the sale or contribution of assets defined as a business under IFRS 3 shall be recognized in full.

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

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. 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 2020 and 2021. 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, these 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.

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 or revised standards or interpretations in paragraphs A and C on the Group are under 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 six months ended June 30, 2022 and 2021 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, 2021. Please refer to the consolidated financial statements for the year ended December 31, 2021 for details.

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Ownership Percentage		
			2022.06.30	2021.12.31	2021.06.30
The Company	Taistar Co., Ltd. (Taistar)	Investment holding	100.00%	100.00%	100.00%
The Company	Leadmax Ltd. (Leadmax)	Trading of electronic materials	100.00%	100.00%	100.00%
The Company	Koatech Technology Corporation (Koatech)	Manufacturing and selling of electronic materials and components	52.97%	53.86%	53.86%
The Company	TFS Co., Ltd. (TFS)	Investment holding	100.00%	100.00%	100.00%
The Company	Taiflex Scientific Japan Co., Ltd. (Japan Taiflex)	Trading and technical support of electronic materials	100.00%	100.00%	100.00%
The Company	Taiflex USA Corporation (USA Taiflex)	Technical support and marketing of electronic materials	100.00%	100.00%	100.00%
The Company	Richstar Co., Ltd. (Richstar)	Investment holding	73.94%	73.94%	73.94%
The Company	Taichem Materials Co., Ltd. (Taichem Materials)	Manufacturing and selling of semiconductor materials	100.00%	100.00%	100.00%
The Company	Taiflex Green Power Co., Ltd. (Taiflex Green Power)	Generation and selling of electricity from renewables	100.00%	100.00%	100.00% (Note 1)
The Company	Taiflex Scientific (Thailand) Co., Ltd. (Thailand Taiflex)	Manufacturing and selling of electronic materials	100.00% (Note 2)	(Note 2)	(Note 2)
Taistar	TSC International Ltd. (TSC)	Investment holding	100.00%	100.00%	100.00%
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	26.06%	26.06%	26.06%
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%

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

Note 2: The Company established Thailand Taiflex in Thailand and acquired 100% of the company in May 2022.

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- (4) The consolidated financial statements for the six months ended June 30, 2022 and 2021 adopt the same accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2021. Please refer to the consolidated financial statements for the year ended December 31, 2021 for a summary of other significant accounting policies.

5. Significant 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 six months ended June 30, 2022 and 2021 as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2021. For a 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, 2021.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand and petty cash	\$ 765	\$ 734	\$ 882
Bank deposits	2,413,408	3,269,667	1,649,440
Total	<u>\$ 2,414,173</u>	<u>\$ 3,270,401</u>	<u>\$ 1,650,322</u>

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

	June 30, 2022	December 31, 2021	June 30, 2021
Mandatorily at fair value through profit or loss:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 378	\$ 1,939	\$ 1,286
Stocks	26,226	25,590	26,735
Total	<u>\$ 26,604</u>	<u>\$ 27,529</u>	<u>\$ 28,021</u>

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

(3) Financial assets at amortized cost - current

	June 30, 2022	December 31, 2021	June 30, 2021
Time deposits - current	\$ 49,800	\$ 276,900	\$ 98,800
Restricted bank deposits	-	-	16,061
Total	<u>\$ 49,800</u>	<u>\$ 276,900</u>	<u>\$ 114,861</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, 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.

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(4) Notes receivable

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivable, net	<u>\$ 1,004,425</u>	<u>\$ 929,304</u>	<u>\$ 1,147,209</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

	June 30, 2022	December 31, 2021	June 30, 2021
Accounts receivable	\$ 3,416,544	\$ 3,064,862	\$ 3,331,337
Letter of credit receivable	-	12,668	-
Less: Loss allowance	(48,384)	(43,475)	(46,711)
Accounts receivable, net	<u>\$ 3,368,160</u>	<u>\$ 3,034,055</u>	<u>\$ 3,284,626</u>

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

B. The credit terms of accounts receivables are generally set at monthly settlement with payment in 60 to 180 days. The gross carrying amounts were NT\$3,416,544 thousand, NT\$3,077,530 thousand and NT\$3,331,337 thousand as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively. Please refer to Note 6(20) for loss allowance for the six months ended June 30, 2022 and 2021 and Note 12 for credit risk.

C. The Group entered into factoring agreements without recourse with banks for accounts receivable selected. The details as of June 30, 2022, December 31, 2021 and June 30, 2021 were as follows:

As of June 30, 2022: None.

December 31, 2021				
Factor	Amount of Accounts Receivable	Amount of Factoring	Condition	Unreceived Amount (Recorded as Other Receivables)
CTBC Bank	US\$2,988 thousand	US\$2,988 thousand	Without recourse	-
Taishin International Bank	US\$789 thousand	US\$789 thousand	Without recourse	-
Taipei Fubon Bank	US\$4,613 thousand	US\$4,613 thousand	Without recourse	-
Bank of Taiwan	US\$8,206 thousand	US\$8,206 thousand	Without recourse	-
June 30, 2021				
Factor	Amount of Accounts Receivable	Amount of Factoring	Condition	Unreceived Amount (Recorded as Other Receivables)
CTBC Bank	US\$1,202 thousand	US\$1,202 thousand	Without recourse	-
Taishin International Bank	US\$2,396 thousand	US\$2,396 thousand	Without recourse	-
Taipei Fubon Bank	US\$527 thousand	US\$527 thousand	Without recourse	-

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(6) Inventories

	June 30, 2022	December 31, 2021	June 30, 2021
Raw materials	\$ 897,801	\$ 810,251	\$ 748,198
Inventories in transit	101,850	80,585	87,121
Supplies	25,606	22,638	26,672
Work in progress	99,222	76,377	145,937
Finished goods	791,483	507,566	477,413
Merchandise	457,230	371,330	452,747
Total	<u>\$ 2,373,192</u>	<u>\$ 1,868,747</u>	<u>\$ 1,938,088</u>

The Group recognized NT\$1,701,037 thousand, NT\$1,787,460 thousand, NT\$3,404,135 thousand and NT\$3,482,223 thousand of operating costs associated with inventories for the three months and six months ended June 30, 2022 and 2021, respectively. Inventory valuation loss for inventories written down to their net realizable value amounted to NT\$28,109 thousand, NT\$25,105 thousand, NT\$47,161 thousand and NT\$40,010 thousand for the three months and six months ended June 30, 2022 and 2021, respectively.

The aforementioned inventories were not pledged.

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

	June 30, 2022	December 31, 2021	June 30, 2021
Investments in equity instruments at fair value through other comprehensive income - non-current:			
Publicly traded stocks	\$ 301,425	\$ 372,637	\$ 319,694
Non-publicly traded stocks	-	-	-
Total	<u>\$ 301,425</u>	<u>\$ 372,637</u>	<u>\$ 319,694</u>

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

(8) Investments accounted for using the equity method

Investee	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	Ownership Percentage	Amount	Ownership Percentage	Amount	Ownership Percentage
Investments in associates:						
Innovision FlexTech Corp.	\$ 29,511	13.67%	\$ 28,793	14.37%	\$ 28,752	15.07%
Geckos Technology Corp.	-	-	12,253	29.19%	17,326	29.19%
Total	<u>\$ 29,511</u>		<u>\$ 41,046</u>		<u>\$ 46,078</u>	

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

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- A. The shares of profit or loss of associates accounted for using the equity method based on the investees' unreviewed financial statements for the three months and six months ended June 30, 2022 and 2021 were as follows:

Investee	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Innovision FlexTech Corp.	\$ 669	\$ 1,082	\$ 2,142	\$ (82)
Geckos Technology Corp.	(370)	(2,071)	(1,742)	(4,244)
Total	<u>\$ 299</u>	<u>\$ (989)</u>	<u>\$ 400</u>	<u>\$ (4,326)</u>

- B. The Group accounted for Innovision FlexTech Corp. using the equity method as it had significant influence over the investee through ownership and representation on the boards of directors.
- C. The Group sold all of its holdings in Geckos Technology Corp. in May 2022.
- D. The summarized financial information of the Group's investments in associates was as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Total assets	\$ 397,830	\$ 417,162	\$ 459,112
Total liabilities	\$ 181,884	\$ 192,446	\$ 226,769

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Revenue	\$ 62,199	\$ 63,153	\$ 134,989	\$ 108,757
Net income (loss)	\$ 10,743	\$ 1,132	\$ 15,522	\$ (11,092)

(9) Property, plant and equipment

	June 30, 2022	December 31, 2021	June 30, 2021
Owner-occupied property, plant and equipment	<u>\$ 3,728,026</u>	<u>\$ 3,360,247</u>	<u>\$ 3,153,942</u>

A. Owner-occupied property, plant and equipment

Cost	As of January 1, 2022	Additions	Disposals	Reclassification	Impairment Loss (Gain on Reversal)	Effect of Exchange Rate Changes	As of June 30, 2022
Land	\$ 100,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,843
Buildings	1,720,051	115,062	-	-	-	8,697	1,843,810
Machinery and equipment	3,260,475	153,726	(7,331)	184	-	6,058	3,413,112
Hydropower equipment	456,946	14,572	-	-	-	1,116	472,634
Testing equipment	381,578	2,234	(660)	(184)	-	603	383,571
Miscellaneous equipment	339,828	10,134	(41,345)	-	-	695	309,312
Total	<u>\$ 6,259,721</u>	<u>\$ 295,728</u>	<u>\$ (49,336)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,169</u>	<u>\$ 6,523,282</u>

(Continued)

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	As of January 1, 2022	Additions	Disposals	Reclassification	Impairment Loss (Gain on Reversal)	Effect of Exchange Rate Changes	As of June 30, 2022
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 543,832	\$ 38,639	\$ -	\$ -	\$ -	\$ 524	\$ 582,995
Machinery and equipment	2,148,442	103,868	(6,889)	-	-	740	2,246,161
Hydropower equipment	264,442	10,926	-	-	-	146	275,514
Testing equipment	214,785	18,534	(475)	-	-	171	233,015
Miscellaneous equipment	243,399	13,068	(41,345)	-	-	258	215,380
Total	<u>\$ 3,414,900</u>	<u>\$ 185,035</u>	<u>\$ (48,709)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,839</u>	<u>\$ 3,553,065</u>
Construction in progress and equipment awaiting inspection	515,426	250,438	-	(9,385)	-	1,330	757,809
Net	<u>\$ 3,360,247</u>						<u>\$ 3,728,026</u>
							(Concluded)

	As of January 1, 2021	Additions	Disposals	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of June 30, 2021
<u>Cost</u>							
Land	\$ 100,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,843
Buildings	1,639,242	74,541	-	-	-	(208)	1,713,575
Machinery and equipment	2,958,492	38,420	(62,472)	52,317	-	(150)	2,986,607
Hydropower equipment	438,521	5,663	-	-	-	(30)	444,154
Testing equipment	382,967	8,661	(40)	1,855	-	(14)	393,429
Miscellaneous equipment	386,551	3,375	(3,351)	(53,874)	-	(19)	332,682
Total	<u>\$ 5,906,616</u>	<u>\$ 130,660</u>	<u>\$ (65,863)</u>	<u>\$ 298</u>	<u>\$ -</u>	<u>\$ (421)</u>	<u>\$ 5,971,290</u>

<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 472,642	\$ 35,314	\$ -	\$ -	\$ -	\$ (48)	\$ 507,908
Machinery and equipment	1,960,842	95,484	(58,162)	49,613	-	(62)	2,047,715
Hydropower equipment	244,201	9,957	-	-	-	(13)	254,145
Testing equipment	195,360	18,654	(40)	88	-	(13)	214,049
Miscellaneous equipment	278,077	11,992	(3,351)	(49,403)	(2,879)	(21)	234,415
Total	<u>\$ 3,151,122</u>	<u>\$ 171,401</u>	<u>\$ (61,553)</u>	<u>\$ 298</u>	<u>\$ (2,879)</u>	<u>\$ (157)</u>	<u>\$ 3,258,232</u>
Construction in progress and equipment awaiting inspection	421,251	70,586	-	(50,923)	-	(30)	440,884
Net	<u>\$ 3,176,745</u>						<u>\$ 3,153,942</u>

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- B. Upon assessment, the Group determined that a part of miscellaneous equipment had gains on reversal of impairment loss and recognized such of NT\$2,879 thousand for the six months ended June 30, 2021. The recoverable amount was measured at fair value less costs of disposal, and the fair value was classified as level 3.
- C. Please refer to Note 8 for property, plant and equipment pledged.

(10) Intangible assets

	As of January 1, 2022	Additions	Reclassification	Effect of Exchange Rate Changes	As of June 30, 2022
<u>Cost</u>					
Trademarks	\$ 732	\$ 30	\$ -	\$ -	\$ 762
Patents	47,964	91	-	-	48,055
Software cost	243,064	616	8,861	149	252,690
Goodwill	69,781	-	-	-	69,781
Total	<u>\$ 361,541</u>	<u>\$ 737</u>	<u>\$ 8,861</u>	<u>\$ 149</u>	<u>\$ 371,288</u>
<u>Accumulated amortization and impairment</u>					
Trademarks	\$ 486	\$ 27	\$ -	\$ -	\$ 513
Patents	40,713	416	-	-	41,129
Software cost	157,963	10,697	-	132	168,792
Total	<u>199,162</u>	<u>\$ 11,140</u>	<u>\$ -</u>	<u>\$ 132</u>	<u>210,434</u>
Net	<u>\$ 162,379</u>				<u>\$ 160,854</u>
	As of January 1, 2021	Additions	Reclassification	Effect of Exchange Rate Changes	As of June 30, 2021
<u>Cost</u>					
Trademarks	\$ 691	\$ -	\$ -	\$ -	\$ 691
Patents	47,677	143	-	-	47,820
Software cost	182,327	414	44,184	(4)	226,921
Goodwill	69,781	-	-	-	69,781
Total	<u>\$ 300,476</u>	<u>\$ 557</u>	<u>\$ 44,184</u>	<u>\$ (4)</u>	<u>\$ 345,213</u>
<u>Accumulated amortization and impairment</u>					
Trademarks	\$ 436	\$ 25	\$ -	\$ -	\$ 461
Patents	39,880	416	-	-	40,296
Software cost	136,107	10,412	-	(10)	146,509
Total	<u>176,423</u>	<u>\$ 10,853</u>	<u>\$ -</u>	<u>\$ (10)</u>	<u>187,266</u>
Net	<u>\$ 124,053</u>				<u>\$ 157,947</u>

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(11) Other non-current assets

	June 30, 2022	December 31, 2021	June 30, 2021
Refundable deposits	\$ 13,467	\$ 13,546	\$ 13,395
Other non-current assets - other	8,809	1,398	1,078
Total	<u>\$ 22,276</u>	<u>\$ 14,944</u>	<u>\$ 14,473</u>

(12) Impairment testing of goodwill

Goodwill acquired through business combinations was allocated to each of the cash-generating units (CGUs) 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 assumption 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 assumption:

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 assumption

For the evaluation of CGUs' fair value less costs of disposal, the management believes that no reasonably possible change in the above key assumption would cause the carrying value of the unit to materially exceed its recoverable amount.

(13) Short-term loans

	June 30, 2022	December 31, 2021	June 30, 2021
Unsecured bank loans	<u>\$ 150,000</u>	<u>\$ 790,000</u>	<u>\$ 635,048</u>

The interest rate ranges of loans were 0.72%, 0.68% to 1.20% and 0.68% to 1.20% and the unused short-term credit facilities amounted to NT\$3,276,529 thousand, NT\$2,390,401 thousand and NT\$2,546,529 thousand as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively.

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

	June 30, 2022	December 31, 2021	June 30, 2021
Held for trading:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 6,987	\$ 4,861	\$ 1,061
- Foreign exchange swap contracts	381	352	208
Designated as at fair value through profit or loss:			
- Convertible bonds - put option	14,201	5,836	-
Total	<u>\$ 21,569</u>	<u>\$ 11,049</u>	<u>\$ 1,269</u>

(15) Bonds payable

	June 30, 2022	December 31, 2021	June 30, 2021
Overseas unsecured convertible bonds payable	\$ 1,864,415	\$ 1,855,472	\$ -
Less: Current portion	-	-	-
Net	<u>\$ 1,864,415</u>	<u>\$ 1,855,472</u>	<u>\$ -</u>

Overseas unsecured convertible bonds payable

	June 30, 2022	December 31, 2021	June 30, 2021
Liability component:			
Overseas unsecured convertible bonds payable			
- principal amount	\$ 1,945,300	\$ 1,945,300	\$ -
Overseas unsecured convertible bonds payable			
- discounts	(80,885)	(89,828)	-
Subtotal	\$ 1,864,415	\$ 1,855,472	\$ -
Less: Current portion	-	-	-
Net	<u>\$ 1,864,415</u>	<u>\$ 1,855,472</u>	<u>\$ -</u>
Embedded derivative financial instruments	<u>\$ (14,201)</u>	<u>\$ (5,836)</u>	<u>\$ -</u>
Equity component	<u>\$ 70,203</u>	<u>\$ 70,203</u>	<u>\$ -</u>

The Company issued its first overseas unsecured convertible bonds at zero coupon rate on the Singapore Exchange Securities Trading Limited on November 30, 2021. Based on the contractual terms, the bonds contain a liability component (host contract), embedded derivative financial instruments (options for the issuer to redeem the bonds and the bondholders to request for redemption) and an equity component (an option for bondholders to request for conversion into issuer's common stocks). The key terms of the bonds are as follows:

Issue amount: US\$70,000 thousand (NT\$1,945,300 thousand)

Period: November 30, 2021 to November 30, 2026

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Major redemption clauses:

- A. The bonds are converted into U.S. dollars equivalent to the New Taiwan dollars amount using a fixed exchange rate for the repayment, repurchase and redemption of the bonds. The fixed exchange rate is determined with reference to the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m. on the pricing date (i.e., the Fixed Exchange Rate is NT\$27.79 = US\$1.00).
- B. After three months of the issuance and prior to the maturity date, the Company may redeem the outstanding convertible bonds in cash at the “early redemption amount” when the closing price (converted into U.S. dollars at the applicable prevailing exchange rate) of the Company’s common stocks listed on the TWSE is at least 130% of the total amount determined by multiplying the early redemption amount by the conversion price (translated into U.S. dollars at the Fixed Exchange Rate determined on the pricing date) and divided by the principal amount of the bonds for a period of thirty consecutive trading days. The early redemption amount is converted to New Taiwan dollars using the Fixed Exchange Rate, and the New Taiwan dollars amount will be converted into U.S. dollars using the prevailing exchange rate (the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m.) for payments in U.S. dollars.
- C. When more than 90 percent of the bonds have been redeemed, converted, repurchased and cancelled, the Company may redeem the outstanding bonds early, in whole but not in part, at the “early redemption amount”.
- D. When changes in the tax laws of the ROC would result in an increase in costs for the Company, the Company may redeem the outstanding bonds early, in whole but not in part, at the “early redemption amount”. For bondholders who choose not to have their bonds redeemed, they shall not request the Company to bear the additional taxes or expenses.
- E. The bondholders may request the Company to redeem all or part of the corporate bonds three years after the issue date (i.e., the holder’s put date is November 30, 2024) at the “early redemption price”. The early redemption price is converted to New Taiwan dollars using the Fixed Exchange Rate, and the New Taiwan dollars amount will be converted into U.S. dollars using the prevailing exchange rate (the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m.) for payments in U.S. dollars.
- F. When the Company’s common stocks cease to be listed on the TWSE or are suspended from trading for a period of thirty consecutive trading days or more, the bondholders may request the Company to redeem the corporate bonds, in whole but not in part, at the “early redemption price”.
- G. Upon the occurrence of a change of control as defined in the bond indenture, the bondholders may request the Company to redeem the corporate bonds, in whole but not in part, at the “early redemption price”.

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Terms of conversion:

- A. Underlying securities: Common stocks of the Company
- B. Conversion period: Bondholders have the right to convert their bonds into the Company's common stocks from the day immediately following the 90-day period from the issue date to (1) 10 days prior to the maturity date or (2) no later than five business days prior to the holder's put date or the date when the Company exercises early redemption.
- C. Conversion price and its adjustments: The conversion price is set at NT\$53.5 per share at the time of issuance. When the conversion price needs to be adjusted due to circumstances set out in the bond indenture, it shall be adjusted according to formulas in the indenture. The conversion price as of June 30, 2022 was NT\$53.5 per share.
- D. Redemption on maturity date: Upon maturity, the bonds will be redeemed at 100% of the outstanding principal amount (redemption amount at maturity). The redemption amount at maturity is converted to New Taiwan dollars using the Fixed Exchange Rate, and the New Taiwan dollars amount will be converted into U.S. dollars using the prevailing exchange rate (the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m.) for payments in U.S. dollars.

(16) Long-term loans

Details of long-term loans as of June 30, 2022, December 31, 2021 and June 30, 2021 were as follows:

Creditor	2022.06.30	Contract Term and Repayment
Export-Import Bank of the Republic of China - credit loan	\$ 100,000	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	150,000	2021.10.5 - 2023.10.5, revolving for 2 years after the commencement date with monthly interest payment
Taipei Fubon Bank - credit loan	35,000	2021.9.6 - 2026.9.6, non-revolving for 60 months from the initial drawdown date, principal to be repaid in 12 equal quarterly installments after the grace period of 24 months with monthly interest payment
Taipei Fubon Bank - credit loan	50,000	2021.9.6 - 2026.9.6, non-revolving for 60 months from the initial drawdown date, principal to be repaid in 12 equal quarterly installments after the grace period of 24 months with monthly interest payment
Taipei Fubon Bank - credit loan	13,000	2021.9.6 - 2026.9.6, non-revolving for 60 months from the initial drawdown date, principal to be repaid in 12 equal quarterly installments after the grace period of 24 months with monthly interest payment
Taipei Fubon Bank - credit loan	29,000	2021.9.6 - 2026.9.6, non-revolving for 60 months from the initial drawdown date, principal to be repaid in 12 equal quarterly installments after the grace period of 24 months with monthly interest payment
Taishin International Bank - credit loan	43,500	2021.9.10 - 2023.9.10, revolving for 2 years after the commencement date with monthly interest payment
Taishin International Bank - credit loan	2,300	2021.9.10 - 2023.9.10, revolving for 2 years after the commencement date with monthly interest payment
Taishin International Bank - collateral loan	33,370	2020.2.25 - 2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Taishin International Bank - collateral loan	80,000	2020.2.25 - 2025.2.25, principal to be repaid by the remaining term with monthly interest payment

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Creditor	2022.06.30	Contract Term and Repayment
E.Sun Commercial Bank - collateral loan	\$ 53,035	2022.3.25 - 2029.3.25, principal to be repaid in equal monthly installments with monthly interest payment
Subtotal	589,205	
Less: Current portion	(57,857)	
Total	<u>\$ 531,348</u>	

(Concluded)

Creditor	2021.12.31	Contract Term and Repayment
Bank of Taiwan - syndicated loan	\$ 138,450	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	125,000	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	2021.10.5 - 2023.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank - credit loan	90,000	2021.10.5 - 2023.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank - credit loan	150,000	2021.10.5 - 2023.10.5, revolving for 2 years after the commencement date with monthly interest payment
Taipei Fubon Bank - credit loan	35,000	2021.9.6 - 2026.9.6, non-revolving for 60 months from the initial drawdown date, principal to be repaid in 12 equal quarterly installments after the grace period of 24 months with monthly interest payment
Taipei Fubon Bank - credit loan	50,000	2021.9.6 - 2026.9.6, non-revolving for 60 months from the initial drawdown date, principal to be repaid in 12 equal quarterly installments after the grace period of 24 months with monthly interest payment
Taishin International Bank - credit loan	3,500	2021.9.10 - 2023.9.10, revolving for 2 years after the commencement date with monthly interest payment
Taishin International Bank - credit loan	7,000	2021.9.10 - 2023.9.10, revolving for 2 years after the commencement date with monthly interest payment
Taishin International Bank - credit loan	20,000	2021.9.10 - 2023.9.10, revolving for 2 years after the commencement date with monthly interest payment
Taishin International Bank - credit loan	11,000	2021.9.10 - 2023.9.10, revolving for 2 years after the commencement date with monthly interest payment
Taishin International Bank - collateral loan	33,370	2020.2.25 - 2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Taishin International Bank - collateral loan	90,000	2020.2.25 - 2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Subtotal	813,320	
Less: Current portion	(50,000)	
Less: Unamortized fee	(3,600)	
Total	<u>\$ 759,720</u>	

Creditor	2021.06.30	Contract Term and Repayment
Bank of Taiwan - syndicated loan	\$ 139,320	2020.10.29 - 2025.10.28, revolving for five years from the initial drawdown date with monthly interest payment
Export-Import Bank of the Republic of China - credit loan	150,000	2019.6.28 - 2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Mizuho Bank - credit loan	60,000	2020.10.5 - 2022.10.5, revolving for 2 years after the commencement date with monthly interest payment

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Creditor	2021.06.30	Contract Term and Repayment
Mizuho Bank - credit loan	\$ 90,000	2020.10.5 - 2022.10.5, revolving for 2 years after the commencement date with monthly interest payment
DBS Bank - credit loan	83,592	2021.2.21 - 2023.2.21, revolving for 2 years after the commencement date with interest payment upon maturity
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	646,282	
Less: Current portion	(50,000)	
Less: Unamortized syndicated loan fee	(4,050)	
Total	<u>\$ 592,232</u>	

(Concluded)

- A. The interest rate ranges of loans were 0.8137% to 1.5%, 0.7% to 1.57% and 0.70% to 1.2269% as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively. Please refer to Note 8 for collateral of the long-term loans.
- B. In July 2020, the Group entered into a syndicated loan agreement with eight financial institutions, including the Bank of Taiwan (bookrunner), for a loan facility of NT\$2.5 billion or the equivalent in U.S. dollars. The contract term was five years from the initial drawdown date, i.e., October 2020 to October 2025 and the credit term of the agreement was mid-term loans - current. During the loan term, the Group was required to calculate and maintain the following financial ratios at an agreed level based on the consolidated financial statements audited by CPAs every six months: current ratio, debt ratio, interest coverage ratio and tangible net value. The Group has abided by those terms.

(17) Post-employment benefit plans

A. Defined contribution plan

Expenses under the defined contribution plan for the three months and six months ended June 30, 2022 and 2021 were NT\$8,550 thousand, NT\$7,409 thousand, NT\$17,281 thousand and NT\$14,642 thousand, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan for the three months and six months ended June 30, 2022 and 2021 were NT\$2,189 thousand, NT\$2,329 thousand, NT\$4,377 thousand and NT\$4,225 thousand, respectively.

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(18) Equity

A. Capital

- (a) The Company's authorized capital was NT\$3,000,000 thousand, divided into 300,000 thousand shares (including 15,000 thousand shares with the amount of NT\$150,000 thousand reserved for the exercise of employee stock options, preferred stock with warrants and bond with warrants), each at a par value of NT\$10 as of June 30, 2022, December 31, 2021 and June 30, 2021.
- (b) The Company's issued capital was NT\$2,091,197 thousand, divided into 209,120 thousand shares, each at a par value of NT\$10 as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively.

B. Capital surplus

	June 30, 2022	December 31, 2021	June 30, 2021
Additional paid-in capital	\$ 666,479	\$ 666,479	\$ 666,479
Premium from merger	262,500	262,500	262,500
Donated assets	1,970	1,970	1,970
Treasury stock transactions	27,280	27,280	27,280
Due to recognition of equity component of convertible bonds - stock options	70,203	70,203	-
Others	112,134	117,334	117,338
Total	<u>\$ 1,140,566</u>	<u>\$ 1,145,766</u>	<u>\$ 1,075,567</u>

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

C. Appropriation of profits and dividend policies

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

- (a) Taxes and dues.
- (b) Deficit compensation.
- (c) 10% of net profit as legal reserves. However, this shall not apply when the accumulated legal reserve has equaled total paid-in capital.
- (d) Special 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.

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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 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 reserves originally set aside.

As of June 30, 2022 and 2021, special reserve set aside for the first-time adoption of IFRS amounted to NT\$75,546 thousand.

Information about the appropriation of 2021 and 2020 earnings approved in the shareholders' meetings on May 26, 2022 and July 16, 2021, respectively, was as follows:

	Appropriation of Earnings		Dividend per Share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 75,031	\$ 74,469	-	-
Special reserve	1,697	3,306	-	-
Cash dividends - common stocks	522,799	522,799	\$ 2.50	\$ 2.50

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

D. Non-controlling interests (NCI)

	Six Months Ended June 30	
	2022	2021
Beginning balance	\$ 148,097	\$ 118,072
Net income attributable to NCIs	1,434	5,848
Other comprehensive income attributable to NCIs:		
Exchange differences arising on translation of foreign operations	386	(2)
NCIs	4,451	-
Ending balance	\$ 154,368	\$ 123,918

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(19) Operating revenue

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Revenue from sale of goods	\$ 2,305,050	\$ 2,372,276	\$ 4,489,222	\$ 4,574,751
Contract balance:				
	June 30, 2022	December 31, 2021	June 30, 2021	December 31, 2020
Contract liabilities - current				
Sale of goods	\$ 1,430	\$ 1,853	\$ 6,813	\$ 2,508

Beginning balance of contract liabilities reclassified to revenue amounted to NT\$1,780 thousand and NT\$2,508 thousand for the six months ended June 30, 2022 and 2021, respectively.

(20) Expected credit (loss) gain

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Operating expenses - Expected credit (loss) gain				
Accounts receivable	\$ (4,142)	\$ 471	\$ (4,144)	\$ 1,658

Please refer to Note 12 for information concerning credit risk.

For receivables (including notes and accounts receivables), the Group measured the loss allowance at an amount equal to lifetime expected credit losses. The assessment on the loss allowance as of June 30, 2022, December 31, 2021 and June 30, 2021 was as follows:

June 30, 2022

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 4,220,396	\$ 170,375	\$ 1,872	\$ 28,326	\$ 4,420,969
Loss ratio	0%~1%	3%~10%	20%~50%	50%~100%	
Lifetime expected credit losses	16,188	6,260	374	25,562	48,384
Subtotal	\$ 4,204,208	\$ 164,115	\$ 1,498	\$ 2,764	\$ 4,372,585

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December 31, 2021

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 3,776,913	\$ 202,120	\$ 4,703	\$ 23,098	\$ 4,006,834
Loss ratio	0%~1%	3%~10%	20%~50%	50%~100%	
Lifetime expected credit losses	11,955	7,876	940	22,704	43,475
Subtotal	<u>\$ 3,764,958</u>	<u>\$ 194,244</u>	<u>\$ 3,763</u>	<u>\$ 394</u>	<u>\$ 3,963,359</u>

June 30, 2021

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 4,332,822	\$ 120,132	\$ 1,101	\$ 24,491	\$ 4,478,546
Loss ratio	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	17,456	4,872	220	24,163	46,711
Subtotal	<u>\$ 4,315,366</u>	<u>\$ 115,260</u>	<u>\$ 881</u>	<u>\$ 328</u>	<u>\$ 4,431,835</u>

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

The movements in the loss allowance for receivables in the six months ended June 30, 2022 and 2021 were as follows:

	Receivables
Balance as of January 1, 2022	\$ 43,475
Appropriated in the current period	4,144
Write off	-
Effect of exchange rate changes	765
Balance as of June 30, 2022	<u>\$ 48,384</u>

	Receivables
Balance as of January 1, 2021	\$ 48,373
Reversed in the current period	(1,658)
Write off	-
Effect of exchange rate changes	(4)
Balance as of June 30, 2021	<u>\$ 46,711</u>

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(21) Leases

A. The Group being a lessee

The Group leases 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

i. Right-of-use assets

Carrying amount of right-of-use assets

	June 30, 2022	December 31, 2021	June 30, 2021
Land	\$ 340,913	\$ 343,162	\$ 346,477
Buildings	11,127	13,980	13,828
Transportation equipment	21,661	13,961	13,767
Total	<u>\$ 373,701</u>	<u>\$ 371,103</u>	<u>\$ 374,072</u>

The Group's right-of-use assets increased by NT\$11,874 thousand and NT\$11,110 thousand for the six months ended June 30, 2022 and 2021, respectively.

ii. Lease liabilities

	June 30, 2022	December 31, 2021	June 30, 2021
Current	\$ 17,756	\$ 16,353	\$ 15,538
Non-current	251,807	250,691	253,083
Lease liabilities	<u>\$ 269,563</u>	<u>\$ 267,044</u>	<u>\$ 268,621</u>

Please refer to Note 6(23)D Finance costs for details on interest expenses of lease liabilities for the three months and six months ended June 30, 2022 and 2021, and Note 12(5) Liquidity risk management for the maturity analysis on lease liabilities as of June 30, 2022 and 2021.

(b) Amounts recognized in the statements of comprehensive income

Depreciation of right-of-use assets

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Land	\$ 2,130	\$ 2,120	\$ 4,267	\$ 4,240
Buildings	1,580	1,539	3,145	3,078
Transportation equipment	2,123	1,734	4,025	3,406
Total	<u>\$ 5,833</u>	<u>\$ 5,393</u>	<u>\$ 11,437</u>	<u>\$ 10,724</u>

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

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Expense of short-term leases	\$ 21,088	\$ 7,046	\$ 35,811	\$ 11,397
Expense of leases of low value assets (excluding short-term leases of low value assets)	1,173	1,143	3,590	2,321

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

The Group's cash outflows from leases amounted to NT\$50,785 thousand and NT\$24,779 thousand for the six months ended June 30, 2022 and 2021, respectively.

(e) Other information associated with leasing activities

Options to extend or terminate the lease

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

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

Function Nature	Three Months Ended June 30					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	153,628	131,477	285,105	128,803	109,432	238,235
Labor and health insurance	13,827	9,186	23,013	11,832	7,621	19,453
Pension	6,222	4,517	10,739	5,821	3,917	9,738
Remuneration to directors	-	6,603	6,603	-	5,560	5,560

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Function Nature	Three Months Ended June 30					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Other employee benefits	16,617	8,443	25,060	14,287	7,199	21,486
Depreciation	84,567	16,173	100,740	75,357	15,475	90,832
Amortization	735	5,117	5,852	805	5,270	6,075

(Concluded)

Function Nature	Six Months Ended June 30					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	287,446	252,435	539,881	247,484	215,208	462,692
Labor and health insurance	28,884	19,034	47,918	24,191	15,681	39,872
Pension	12,635	9,023	21,658	11,282	7,585	18,867
Remuneration to directors	-	12,463	12,463	-	10,715	10,715
Other employee benefits	31,506	16,037	47,543	27,091	14,347	41,438
Depreciation	164,178	32,294	196,472	151,516	30,609	182,125
Amortization	1,476	10,127	11,603	1,644	9,436	11,080

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

Based on profitability, the compensation to employees and remuneration to directors accrued for the six months ended June 30, 2022 and 2021 were as follows:

	Six Months Ended June 30	
	2022	2021
Compensation to employees	\$ 44,646	\$ 38,071
Remuneration to directors	12,209	10,438

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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 2021 and 2020 compensation to employees and remuneration to directors reported in the shareholders' meetings on May 26, 2022 and July 16, 2021, respectively, was as follows:

	Years Ended December 31	
	2021	2020
Compensation to employees	\$ 74,523	\$ 75,524
Remuneration to directors	20,378	20,651

The above-mentioned 2021 and 2020 compensation to employees and remuneration to directors reported in the shareholders' meetings were not significantly different from the amounts resolved in the Board of Directors' meetings on February 23, 2022 and January 22, 2021, respectively, and the amounts recognized as expenses in the financial statements.

(23) Non-operating income and expenses

A. Interest income

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Interest income	\$ 2,072	\$ 1,121	\$ 4,288	\$ 2,183

B. Other income

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Other income	\$ 3,291	\$ 2,772	\$ 6,849	\$ 5,459

C. Other gains and losses

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Loss on disposal of property, plant and equipment	\$ (80)	\$ (2,971)	\$ (587)	\$ (2,633)
Foreign exchange gain (loss), net	73,422	(22,202)	223,085	(3,846)
Gain on reversal of impairment loss for non-financial assets	-	-	-	2,879
(Loss) gain on financial assets (liabilities) at fair value through profit or loss, net	(21,902)	3,178	(57,218)	3,094
Gain on disposal of investments accounted for using the equity method	20,182	-	39,846	-
Other losses	(7,072)	(364)	(13,399)	(681)
Total	\$ 64,550	\$ (22,359)	\$ 191,727	\$ (1,187)

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D. Finance costs

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Interest on bank borrowings	\$ (2,159)	\$ (3,707)	\$ (5,581)	\$ (5,646)
Interest on lease liabilities	(1,313)	(884)	(2,644)	(2,544)
Interest on bonds payable	(4,477)	-	(8,943)	-
Total	<u>\$ (7,949)</u>	<u>\$ (4,591)</u>	<u>\$ (17,168)</u>	<u>\$ (8,190)</u>

E. Components of other comprehensive income

For the three months ended June 30, 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	\$ (41,131)	\$ -	\$ (41,131)	\$ -	\$ (41,131)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(54,623)	-	(54,623)	10,924	(43,699)
Total	<u>\$ (95,754)</u>	<u>\$ -</u>	<u>\$ (95,754)</u>	<u>\$ 10,924</u>	<u>\$ (84,830)</u>

For the three months ended June 30, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	\$ (26,856)	\$ -	\$ (26,856)	\$ -	\$ (26,856)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(20,784)	-	(20,784)	4,157	(16,627)
Total	<u>\$ (47,640)</u>	<u>\$ -</u>	<u>\$ (47,640)</u>	<u>\$ 4,157</u>	<u>\$ (43,483)</u>

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For the six months ended June 30, 2022:

	Arising during the period	Reclassification adjustments during the period	Other comprehensiv e income	Income tax benefit (expense)	Other comprehensiv e income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	\$ (71,212)	\$ -	\$ (71,212)	\$ -	\$ (71,212)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	55,913	-	55,913	(11,183)	44,730
Total	<u>\$ (15,299)</u>	<u>\$ -</u>	<u>\$ (15,299)</u>	<u>\$ (11,183)</u>	<u>\$ (26,482)</u>

For the six months ended June 30, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	\$ (24,855)	\$ -	\$ (24,855)	\$ -	\$ (24,855)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(4,935)	-	(4,935)	987	(3,948)
Total	<u>\$ (29,790)</u>	<u>\$ -</u>	<u>\$ (29,790)</u>	<u>\$ 987</u>	<u>\$ (28,803)</u>

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(24) Income tax

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

Income tax recognized in profit or loss

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current income tax expense:				
Current income tax expense	\$ 67,859	\$ 55,234	\$ 97,888	\$ 102,448
Income tax adjustments on prior years	(21)	(4,840)	140	(96)
Effect of exchange rate changes	130	120	(39)	97
Deferred income tax expense (benefit):				
Income tax expense (benefit) relating to origination and reversal of temporary differences	(4,327)	215	20,331	9,018
	\$		\$	
Income tax expense	<u>\$ 63,641</u>	<u>\$ 50,729</u>	<u>118,320</u>	<u>\$ 111,467</u>

Income tax recognized in other comprehensive income

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Deferred income tax (benefit):				
Exchange differences arising on translation of foreign operations	\$ (10,924)	\$ (4,157)	\$ 11,183	\$ (987)
Income tax relating to components of other comprehensive income	<u>\$ (10,924)</u>	<u>\$ (4,157)</u>	<u>\$ 11,183</u>	<u>\$ (987)</u>

B. The assessment of income tax returns:

As of June 30, 2022, the assessment of the Group's income tax returns in ROC was as follows:

	<u>Assessment of Income Tax Returns</u>
The Company	Assessed and approved up to 2019
Subsidiary - Koatech Technology Corporation	Assessed and approved up to 2020
Subsidiary - Taichem Materials Co., Ltd.	Assessed and approved up to 2020

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(25) Earnings per share (EPS)

Three Months Ended June 30, 2022			
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the Company	\$ 225,090	209,120	<u>\$ 1.07</u>
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	3,581	36,361	
Employee compensation - stock	-	529	
Net income attributable to common shareholders of the Company and effect of potential common stocks	<u>\$ 228,671</u>	<u>246,010</u>	<u>\$ 0.93</u>
Three Months Ended June 30, 2021			
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the Company	\$ 196,132	209,120	<u>\$ 0.94</u>
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Employee compensation - stock	-	369	
Net income attributable to common shareholders of the Company and effect of potential common stocks	<u>\$ 196,132</u>	<u>209,489</u>	<u>\$ 0.93</u>
Six Months Ended June 30, 2022			
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the Company	\$ 433,541	209,120	<u>\$ 2.07</u>
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	7,154	36,361	
Employee compensation - stock	-	1,002	
Net income attributable to common shareholders of the Company and effect of potential common stocks	<u>\$ 440,695</u>	<u>246,483</u>	<u>\$ 1.79</u>

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Six Months Ended June 30, 2021			
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the Company	\$ 369,181	209,120	<u>\$ 1.77</u>
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Employee compensation - stock	-	712	
Net income attributable to common shareholders of the Company and effect of potential common stocks	<u>\$ 369,181</u>	<u>209,832</u>	<u>\$ 1.76</u>

7. Related Party Transactions

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

Names and relationships

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

(Note) Geckos was no longer an associate of the Group as the Group lost significant influence over the company since June 2022.

(1) Other receivables - related parties

	June 30, 2022	December 31, 2021	June 30, 2021
Geckos	<u>\$ -</u>	<u>\$ 123</u>	<u>\$ 141</u>

(2) Prepayments

	June 30, 2022	December 31, 2021	June 30, 2021
Innatech	\$ 1,937	\$ 196	\$ 871
SINYA Network	167	244	-
Total	<u>\$ 2,104</u>	<u>\$ 440</u>	<u>\$ 871</u>

(3) Other payables - related parties

	June 30, 2022	December 31, 2021	June 30, 2021
SINYA Digital	\$ 1,530	\$ 33	\$ -
Innatech	443	1,359	2,842
SINYA Network	55	2,916	1,986
Total	<u>\$ 2,028</u>	<u>\$ 4,308</u>	<u>\$ 4,828</u>

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(4) Property transactions

Acquisition of intangible assets

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Innatech	\$ 202	\$ 40,963	\$ 202	\$ 40,963

(5) Others

Rental income

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Geckos	\$ 500	\$ 450	\$ 1,250	\$ 900

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.

General and administrative expenses

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Innatech	\$ 1,275	\$ 250	\$ 2,453	\$ 250
SINYA Network	53	2,287	2,260	2,945
SINYA Digital	373	-	445	-
Total	\$ 1,701	\$ 2,537	\$ 5,158	\$ 3,195

(6) Compensation to key management of the Group

	Three Months Ended June 30		Six Months Ended June 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 15,166	\$ 11,896	\$ 42,793	\$ 28,783
Post-employment benefits	184	116	374	199
Total	\$ 15,350	\$ 12,012	\$ 43,167	\$ 28,982

8. Pledged Assets

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

	Carrying Amount			Purpose of Pledge
	June 30, 2022	December 31, 2021	June 30, 2021	
Time deposits (Note)	\$ 43,319	\$ 41,850	\$ 41,639	Customs guarantee
Land	100,843	100,843	100,843	Long-term loans
Buildings	95,488	90,828	91,204	Letter of credit, short-term credit facilities and long-term loans
Total	\$ 239,650	\$ 233,521	\$ 233,686	

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

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9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Details of the Group's unused letters of credit as of June 30, 2022 were as follows:

	L/C Balance	
NTD	NT\$	20 thousand
JPY	JPY	960,905 thousand
USD	US\$	9,878 thousand

(2) Guaranteed notes issued by the Group amounted to NT\$24,000 thousand as of June 30, 2022. They were issued for performance guarantees and would be recovered for cancellation upon termination of the guarantee obligations.

10. Significant Disaster Loss

None.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets at fair value through profit or loss:			
Mandatorily at fair value through profit or loss	\$ 26,604	\$ 27,529	\$ 28,021
Financial assets at fair value through other comprehensive income	301,425	372,637	319,694
Financial assets at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	2,413,408	3,269,667	1,649,440
Financial assets at amortized cost	49,800	276,900	114,861
Receivables	4,430,260	4,013,876	4,478,589
Other financial assets - current	43,319	41,850	41,639

Financial liabilities

	June 30, 2022	December 31, 2021	June 30, 2021
Financial liabilities at fair value through profit or loss:			
Held for trading	\$ 7,368	\$ 5,213	\$ 1,269
Designated as at fair value through profit or loss	14,201	5,836	-
Financial liabilities at amortized cost:			
Short-term loans	150,000	790,000	635,048
Payables	2,986,162	1,928,516	2,617,404
Bonds payable (including current portion)	1,864,415	1,855,472	-
Long-term loans (including current portion)	589,205	809,720	642,232
Lease liabilities (current and non-current)	269,563	267,044	268,621

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(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 rules at all times.

(3) Market risk

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

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

A. Foreign currency risk

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

The Group has certain receivables denominated in the same foreign currency as certain 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.

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C. Equity price risk

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

A 5% increase/decrease in the prices of listed companies' stocks classified as at fair value through profit or loss could cause the profit or loss for the six months ended June 30, 2022 and 2021 to increase/decrease by NT\$1,311 thousand and NT\$1,337 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 comprehensive income for the six months ended June 30, 2022 and 2021 to increase/decrease by NT\$15,071 thousand and NT\$15,985 thousand, respectively.

D. Pre-tax sensitivity analysis was as follows:

For the six months ended June 30, 2022

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$ 17,527 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ NT\$ 1,623 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- NT\$ 1,724 thousand

For the six months ended June 30, 2021

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$ 6,195 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ NT\$ 1,067 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- NT\$ 487 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 counterparties.

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Credit risk from balances with banks and other financial instruments is managed by the Group 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, highly-liquid marketable securities, bank borrowings, convertible bonds and leases. The table below summarized the maturity profile of the Group's financial liability contracts based on the earliest repayment dates and contractual undiscounted cash flows. The amount also included the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates was extrapolated based on the yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>June 30, 2022</u>					
Borrowings	\$ 214,288	\$ 445,300	\$ 69,617	\$ 13,901	\$ 743,106
Payables	2,986,162	-	-	-	2,986,162
Convertible bonds	-	-	1,945,300	-	1,945,300
Lease liabilities	17,756	24,478	17,148	279,636	339,018
<u>December 31, 2021</u>					
Borrowings	\$ 848,666	\$ 475,207	\$ 297,445	\$ -	\$1,621,318
Payables	1,928,516	-	-	-	1,928,516
Convertible bonds	-	-	1,945,300	-	1,945,300
Lease liabilities	16,353	31,145	18,771	288,445	354,714
<u>June 30, 2021</u>					
Borrowings	\$ 685,494	\$ 340,202	\$ 252,030	\$ -	\$1,277,726
Payables	2,617,404	-	-	-	2,617,404
Lease liabilities	15,538	26,863	18,024	288,209	348,634

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>June 30, 2022</u>					
Inflows	\$ 876,316	\$ -	\$ -	\$ -	\$ 876,316
Outflows	887,262	-	-	-	887,262
Net	<u>\$ (10,946)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,946)</u>
<u>December 31, 2021</u>					
Inflows	\$ 1,073,629	\$ -	\$ -	\$ -	\$1,073,629
Outflows	1,081,553	-	-	-	1,081,553
Net	<u>\$ (7,924)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,924)</u>

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	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>June 30, 2021</u>					
Inflows	\$ 691,549	\$ -	\$ -	\$ -	\$ 691,549
Outflows	694,100	-	-	-	694,100
Net	<u>\$ (2,551)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,551)</u>

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the six months ended June 30, 2022:

	Short-term Loans	Long-term Loans	Lease Liabilities	Guarantee Deposits Received	Bonds Payable	Total Liabilities from Financing Activities
As of January 1, 2022	\$ 790,000	\$ 809,720	\$ 267,044	\$ 255	\$ 1,855,472	\$ 3,722,491
Cash flows	(640,000)	(220,515)	(11,384)	40	-	(871,859)
Non-cash movements	-	-	13,903	-	8,943	22,846
As of June 30, 2022	<u>\$ 150,000</u>	<u>\$ 589,205</u>	<u>\$ 269,563</u>	<u>\$ 295</u>	<u>\$ 1,864,415</u>	<u>\$ 2,873,478</u>

Reconciliation of liabilities for the six months ended June 30, 2021:

	Short-term Loans	Long-term Loans	Lease Liabilities	Guarantee Deposits Received	Bonds Payable	Total Liabilities from Financing Activities
As of January 1, 2021	\$ 150,000	\$ 564,000	\$ 273,252	\$ 255	\$ -	\$ 987,507
Cash flows	485,048	78,232	(11,061)	-	-	552,219
Non-cash movements	-	-	6,430	-	-	6,430
As of June 30, 2021	<u>\$ 635,048</u>	<u>\$ 642,232</u>	<u>\$ 268,621</u>	<u>\$ 255</u>	<u>\$ -</u>	<u>\$ 1,546,156</u>

(7) Fair values of financial instruments

A. The valuation techniques 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 approximates 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).
- (c) For bonds payable with no market quotation price, the fair value is determined by the quotation price of the counterparty or valuation techniques. The latter is based on the discounted cash flow analysis with assumptions of interest rates and discount rates primarily founded on relevant information of similar instruments (e.g., yield curve used by the Taipei Exchange, Reuters' average interest rate of commercial papers and credit risk).

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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 June 30, 2022, December 31, 2021 and June 30, 2021, 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>June 30, 2022</u>		
Sell RMB/Buy NTD	2022.02~2022.12	RMB 150,000/NT\$ 657,696
Sell USD/Buy NTD	2022.05~2022.08	US\$ 6,000/NT\$ 176,497
<u>December 31, 2021</u>		
Sell RMB/Buy NTD	2021.09~2022.05	RMB 150,000/NT\$ 643,512
Sell USD/Buy NTD	2021.11~2022.02	US\$ 6,000/NT\$ 166,647
Sell USD/Buy THB	2021.11~2022.11	US\$ 8,000/THB 267,750
<u>June 30, 2021</u>		
Sell RMB/Buy NTD	2021.03~2021.10	RMB 132,000/NT\$ 566,273
Sell USD/Buy NTD	2021.04~2021.09	US\$ 3,000/NT\$ 84,273

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>June 30, 2022</u>		
Sell RMB/Buy NTD	2022.04~2022.09	RMB 9,600/NT\$ 42,123
<u>December 31, 2021</u>		
Sell RMB/Buy NTD	2021.09~2022.04	RMB 9,600/NT\$ 41,104
<u>June 30, 2021</u>		
Sell RMB/Buy NTD	2021.04~2021.09	RMB 9,600/NT\$ 41,008

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.

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Embedded derivative instruments

Embedded derivative instruments identified from convertible bonds were separated from the host contract and measured at fair value through profit or loss. Please refer to Note 6(15) for contract details.

(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>June 30, 2022</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 378	\$ -	\$ 378
Stocks	26,226	-	-	26,226
Financial assets at fair value through other comprehensive income	301,425	-	-	301,425
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	6,987	-	6,987
Foreign exchange swap contracts	-	381	-	381
Embedded derivative instruments	-	14,201	-	14,201

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	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 1,939	\$ -	\$ 1,939
Stocks	25,590	-	-	25,590
Financial assets at fair value through other comprehensive income	372,637	-	-	372,637
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	4,861	-	4,861
Foreign exchange swap contracts	-	352	-	352
Embedded derivative instruments	-	5,836	-	5,836
<u>June 30, 2021</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 1,286	\$ -	\$ 1,286
Stocks	26,735	-	-	26,735
Financial assets at fair value through other comprehensive income	319,694	-	-	319,694
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	1,061	-	1,061
Foreign exchange swap contracts	-	208	-	208

For the six months ended June 30, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value hierarchy.

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

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

	June 30, 2022			December 31, 2021		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	\$ 98,283	29.733	\$ 2,922,248	\$ 159,471	27.690	\$ 4,415,749
RMB	36,687	4.4415	162,944	30,794	4.3477	133,883
JPY	300,522	0.2182	65,574	57,284	0.2405	13,777

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	June 30, 2022			December 31, 2021		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 39,330	29.733	\$ 1,169,399	\$ 35,138	27.690	\$ 972,977
JPY	172,628	0.2182	37,667	140,856	0.2405	33,876

	June 30, 2021		
	Foreign Currencies (in thousands)	Exchange Rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 78,819	27.864	\$ 2,196,213
RMB	24,832	4.3115	107,062
JPY	44,424	0.2520	11,195

<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 56,584	27.864	\$ 1,576,657
JPY	183,165	0.2520	46,158

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

As entities within the Group transact in various currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. For the three months and six months ended June 30, 2022 and 2021, the Group's foreign exchange gain (loss) amounted to NT\$73,422 thousand, NT\$(22,202) thousand, NT\$223,085 thousand and NT\$(3,846) 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 return. 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.

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(12) Information on financial assets transferred

Derecognition of financial assets transferred in their entirety

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

As of June 30, 2022: None.

December 31, 2021				
Factor	Amount Transferred	Amount Advanced	Interest Rate Range	Credit Line
CTBC Bank	US\$2,988 thousand	US\$2,988 thousand	0.7611%	US\$5,500 thousand
Taishin International Bank	US\$789 thousand	US\$789 thousand	0.7%	NT\$690,000 thousand
Taipei Fubon Bank	US\$4,613 thousand	US\$4,613 thousand	0.7%~0.77%	US\$8,000 thousand
Bank of Taiwan	US\$8,206 thousand	US\$8,206 thousand	0.6977%	US\$15,000 thousand
June 30, 2021				
Factor	Amount Transferred	Amount Advanced	Interest Rate Range	Credit Line
CTBC Bank	US\$1,202 thousand	US\$1,202 thousand	0.89852%	US\$5,000 thousand
Taishin International Bank	US\$2,396 thousand	US\$2,396 thousand	0.72%~0.74%	NT\$690,000 thousand
Taipei Fubon Bank	US\$527 thousand	US\$527 thousand	0.7%	US\$6,000 thousand

13. Additional Disclosures

(1) Information on significant transactions and investees

- A. Financing provided to others: Please refer to Table 1.
- B. Endorsement/guarantee provided to others: Please refer to Table 2.
- C. Marketable securities held as of June 30, 2022 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.
- D. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the six months ended June 30, 2022: None.
- E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the six months ended June 30, 2022: None.
- F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the six months ended June 30, 2022: None.

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- G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the six months ended June 30, 2022: Please refer to Table 4.
- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of June 30, 2022: Please refer to Table 5.
- I. Direct or indirect significant influence or control over the investees for the six months ended June 30, 2022 (excluding investments in mainland China): Please refer to Table 6.
- J. Derivative financial instrument transactions: Please refer to Note 12.
- K. Others: intercompany relationships and significant intercompany transactions for the six months ended June 30, 2022: Please refer to Table 8.

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

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

14. Operating Segment

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

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

The overseas segment owns manufacturing and sales functions.

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

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

Segment income (loss)

For the three months ended June 30, 2022

	General Management	Overseas	Adjustment and Elimination (Note)	Total
Revenue				
External customer	\$ 1,725,063	\$ 579,987	\$ -	\$ 2,305,050
Inter-segment	374,235	259,035	(633,270)	-
Total revenue	<u>\$ 2,099,298</u>	<u>\$ 839,022</u>	<u>\$ (633,270)</u>	<u>\$ 2,305,050</u>
Segment income (loss) (before income tax)	<u>\$ 271,365</u>	<u>\$ (720)</u>	<u>\$ 18,589</u>	<u>\$ 289,234</u>

Note: Inter-segment revenues were eliminated upon consolidation.

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For the three months ended June 30, 2021

	General Management	Overseas	Adjustment and Elimination (Note)	Total
Revenue				
External customer	\$ 1,623,965	\$ 748,311	\$ -	\$ 2,372,276
Inter-segment	528,416	373,073	(901,489)	-
Total revenue	<u>\$ 2,152,381</u>	<u>\$ 1,121,384</u>	<u>\$ (901,489)</u>	<u>\$ 2,372,276</u>
Segment income (loss) (before income tax)	<u>\$ 244,655</u>	<u>\$ 13,490</u>	<u>\$ (9,044)</u>	<u>\$ 249,101</u>

Note: Inter-segment revenues were eliminated upon consolidation.

For the six months ended June 30, 2022

	General Management	Overseas	Adjustment and Elimination (Note)	Total
Revenue				
External customer	\$ 3,144,286	\$ 1,344,936	\$ -	\$ 4,489,222
Inter-segment	851,766	614,055	(1,465,821)	-
Total revenue	<u>\$ 3,996,052</u>	<u>\$ 1,958,991</u>	<u>\$ (1,465,821)</u>	<u>\$ 4,489,222</u>
Segment income (loss) (before income tax)	<u>\$ 519,019</u>	<u>\$ 28,011</u>	<u>\$ 6,265</u>	<u>\$ 553,295</u>

Note: Inter-segment revenues were eliminated upon consolidation.

For the six months ended June 30, 2021

	General Management	Overseas	Adjustment and Elimination (Note)	Total
Revenue				
External customer	\$ 2,828,344	\$ 1,746,407	\$ -	\$ 4,574,751
Inter-segment	1,163,310	796,757	(1,960,067)	-
Total revenue	<u>\$ 3,991,654</u>	<u>\$ 2,543,164</u>	<u>\$ (1,960,067)</u>	<u>\$ 4,574,751</u>
Segment income (loss) (before income tax)	<u>\$ 471,111</u>	<u>\$ 74,975</u>	<u>\$ (59,590)</u>	<u>\$ 486,496</u>

Note: Inter-segment revenues were eliminated upon consolidation.

Assets of the Group's operating segments as of June 30, 2022, December 31, 2021 and June 30, 2021 were summarized below:

	General Management	Overseas	Adjustment and Elimination	Total
As of June 30, 2022	<u>\$ 10,586,161</u>	<u>\$ 6,194,186</u>	<u>\$ (2,547,399)</u>	<u>\$ 14,232,948</u>
As of December 31, 2021	<u>\$ 10,963,994</u>	<u>\$ 5,769,826</u>	<u>\$ (2,658,940)</u>	<u>\$ 14,074,880</u>
As of June 30, 2021	<u>\$ 9,416,181</u>	<u>\$ 6,292,388</u>	<u>\$ (3,072,775)</u>	<u>\$ 12,635,794</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 Amount (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	\$ 237,864	\$ 237,864	\$ -	1.70%~4.00%	2	-	Operating capital	-	-	-	\$ 1,528,791	\$ 3,057,582	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	148,665	148,665	-	1.70%~4.00%	2	-	Operating capital	-	-	-	1,528,791	3,057,582	(Note 7)
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Other receivables - related parties	Y	80,000	80,000	-	0.50%~2.00%	2	-	Operating capital	-	-	-	1,528,791	3,057,582	(Note 7)
1	Kunshan Taiflex Electronic Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	90,236	88,830	88,830	2.00%~4.00%	2	-	Operating capital	-	-	-	809,618	809,618	(Note 9)
1	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	631,652	621,810	532,980	2.00%~4.00%	2	-	Operating capital	-	-	-	809,618	809,618	(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 six months ended June 30, 2022.

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 financing between 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 repayments 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	\$ 3,821,978	\$ 505,461	\$ 505,461	\$ 5,585	\$ -	6.61%	\$ 3,821,978	Y	N	Y
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	2	3,821,978	131,241	-	-	-	0.00%		Y	N	Y

Note 1: Companies are coded as follows:

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

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

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

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

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

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

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

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

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

(7) Joint and several security 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 six months ended June 30, 2022.

Note 5: This refers to amounts approved by the board of directors. However, where the authority has been delegated by the board to the chairperson in accordance with Subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, this would be the amounts approved by the chairperson.

Note 6: This is the ending balance after evaluation.

Note 7: Fill in "Y" for endorsements/guarantees provided by listed parent companies to subsidiaries and vice versa, and for ones provided to subsidiaries in mainland China.

TABLE 3: MARKETABLE SECURITIES HELD AS OF JUNE 30, 2022 (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	June 30, 2022				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	6,139	301,425	6.90%	301,425	-
	Listed stocks	Zhen Ding Technology Holding Limited	-	Financial assets at fair value through profit or loss - current	255	26,226	0.03%	26,226	-

Note 1: Marketable securities stated in this table 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	Relationship	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	\$ 507,563	13.37%	Monthly settlement with payment in 180 days	-	-	\$ 784,107	23.04%	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	204,085	5.38%	Monthly settlement with payment in 180 days	-	-	278,186	8.18%	-
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	507,563	49.58%	Monthly settlement with payment in 180 days	-	-	(784,107)	(54.38%)	-
Shenzhen Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	Purchases	491,496	48.01%	Monthly settlement with payment in 180 days	-	-	(649,860)	(45.07%)	-
Kunshan Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	204,085	68.49%	Monthly settlement with payment in 180 days	-	-	(278,186)	(79.16%)	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	Sales	491,496	83.67%	Monthly settlement with payment in 180 days	-	-	649,860	86.92%	-

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	Relationship	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	\$ 784,107	1.17	-	-	\$ 186,712	-	-
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	9	(Note 1)	-	-	-	-	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	278,186	1.39	-	-	47,104	-	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	649,860	1.48	-	-	266	-	-
Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	532,980	(Note 1)	-	-	88,830	-	-

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)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2022			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				June 30, 2022	December 31, 2021	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%	\$ 832,518	\$ 3,232	\$ 3,232	-
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	629	-	-	-
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	320,761	320,761	16,124	52.97%	258,087	3,050	1,615	-
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	93,309	98,101	3,602	13.67%	29,511	15,522	2,142	-
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	510,596	2,450	770	(Note 2)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	1,316,239	1,316,239	44,000	73.94%	1,545,425	9,399	6,949	-
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	14,442	91	91	-
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	8,820	1	100.00%	9,856	242	242	-
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor materials	246,000	246,000	17,000	100.00%	210,686	(20,843)	(20,810)	(Note 1)
Taiflex Scientific Co., Ltd.	Taiflex Green Power Co., Ltd.	Taiwan	Generation and selling of electricity from renewables	20,000	20,000	2,000	100.00%	19,890	(37)	(36)	(Note 1)
Taiflex Scientific Co., Ltd.	Taiflex Scientific (Thailand) Co., Ltd.	Thailand	Manufacturing and selling of electronic materials	395,026	-	46,025	100.00%	387,564	34	34	-
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	26.06%	544,762	9,399	2,450	-
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	809,687	7,188	7,188	-
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	90,189	28,649	3,160	100.00%	80,775	1,114	1,114	-
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	90,040	28,500	3,155	100.00%	81,778	1,114	1,114	-

Note 1: Including depreciation of right-of-use assets and amortization of lease liabilities.

Note 2: 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, 2022	Investment Flows		Accumulated Outflows of Investment from Taiwan as of June 30, 2022	Profit/Loss of Investee	Ownership Percentage (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of June 30, 2022	Accumulated Inward Remittances of Earnings as of June 30, 2022
						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	\$ 7,188	100.00%	\$ 7,188	\$ 809,618	\$ 135,257
	Rudong Fuzhan Scientific Co., Ltd.	Manufacturing and selling of electronic materials	\$1,316,239 (US\$44,000,000)	2	1,316,239	-	-	1,316,239	(25,270)	100.00%	(25,270)	1,351,311	-
	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	34,669	100.00%	34,669	738,814	-
Koatech Technology Corporation	Kunshan Koatech Technology Corporation	A wholesaler and a commission agent of electronic materials and components	\$89,890 (US\$3,150,000)	2	28,351	61,539	-	89,890	1,115	52.97%	591	43,311	-
Accumulated Outflows of Investment from Taiwan to Mainland China as of June 30, 2022					Investment Amounts Authorized by the Investment Commission, MOEA					Upper Limit on Investment			
Taiflex Scientific Co., Ltd.		\$2,562,540			\$2,580,303					(Note 3)			
Koatech Technology Corporation		\$89,890			\$140,222					\$196,940			

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. 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\$328,234 thousand \times 60% = NT\$196,940 thousand

TABLE 8: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE SIX MONTHS ENDED JUNE 30, 2022

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount (Note 4)	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Sales revenue	\$ 507,563	General trading terms	11.31%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	784,107	General trading terms	5.51%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Sales revenue	204,085	General trading terms	4.55%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Accounts receivable	278,186	General trading terms	1.95%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Sales revenue	33,630	General trading terms	0.75%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Accounts receivable	42,385	General trading terms	0.30%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Sales revenue	30,575	General trading terms	0.68%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Accounts receivable	28,228	General trading terms	0.20%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Other receivables	33,849	General trading terms	0.24%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Sales revenue	491,496	General trading terms	10.95%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Accounts receivable	649,860	General trading terms	4.57%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Sales revenue	80,915	General trading terms	1.80%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Accounts receivable	60,447	General trading terms	0.42%
2	Kunshan Taiflex Electronic Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Other receivables	88,830	General trading terms	0.62%
2	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	3	Other receivables	532,980	General trading terms	3.74%
3	Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	2	Sales revenue	51,391	General trading terms	1.14%

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: Eliminated upon consolidation.

TABLE 9: INFORMATION ON MAJOR SHAREHOLDERS

(In Shares)

Name of Major Shareholder	Share	Total Shares Owned	Ownership Percentage
Chang Wah Electromaterials Inc.		20,936,000	10.01%
Qiao Mei Development Corporation		16,263,729	7.77%
BaoJie Funds in custody of Standard Chartered Bank Main Branch		11,810,120	5.64%

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.