

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

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

Ernst & Young, Taiwan

October 25, 2022

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

Assets	Notes	September 30, 2022	December 31, 2021	September 30, 2021
<b>Current assets</b>				
Cash and cash equivalents	4, 6(1)	\$ 2,091,815	\$ 3,270,401	\$ 1,620,503
Financial assets at fair value through profit or loss - current	4, 6(2)	27,061	27,529	25,365
Financial assets at amortized cost - current	4, 6(3)	49,800	276,900	49,800
Notes receivable, net	4, 6(4)	871,403	929,304	1,114,882
Accounts receivable, net	4, 6(5)	3,516,836	3,034,055	3,443,982
Other receivables	7	47,139	50,517	74,122
Inventories, net	4, 6(6)	2,200,750	1,868,747	1,998,044
Prepayments		51,386	51,909	94,761
Other current assets	8	48,497	47,597	52,767
Total current assets		<u>8,904,687</u>	<u>9,556,959</u>	<u>8,474,226</u>
<b>Non-current assets</b>				
Financial assets at fair value through other comprehensive income - non-current	4, 6(7)	245,253	372,637	316,694
Investments accounted for using the equity method	4, 6(8)	28,294	41,046	45,150
Property, plant and equipment	4, 6(9)	3,852,690	3,360,247	3,260,422
Right-of-use assets	4, 6(21)	372,751	371,103	371,416
Intangible assets	4, 6(10,12)	157,369	162,379	154,986
Deferred income tax assets	4, 6(24)	185,311	195,565	197,525
Other non-current assets	4, 6(11)	23,245	14,944	15,202
Total non-current assets		<u>4,864,913</u>	<u>4,517,921</u>	<u>4,361,395</u>
 <b>Total assets</b>				
		<u>\$ 13,769,600</u>	<u>\$ 14,074,880</u>	<u>\$ 12,835,621</u>

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

(Continued)

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

Liabilities and Equity	Notes	September 30, 2022	December 31, 2021	September 30, 2021
<b>Current liabilities</b>				
Short-term loans	6(13)	\$ 325,000	\$ 790,000	\$ 1,014,880
Financial liabilities at fair value through profit or loss - current	4, 6(14)	33,597	11,049	2,742
Contract liabilities - current	4, 6(19)	1,908	1,853	3,549
Notes payable		433	369	369
Accounts payable		1,351,999	1,279,303	1,832,630
Other payables	7	658,199	648,844	701,034
Current income tax liabilities	4, 6(24)	250,218	133,232	116,898
Lease liabilities - current	4, 6(21)	18,510	16,353	16,660
Current portion of long-term loans	6(16)	57,857	50,000	50,000
Other current liabilities		11,296	3,829	975
Total current liabilities		<u>2,709,017</u>	<u>2,934,832</u>	<u>3,739,737</u>
<b>Non-current liabilities</b>				
Bonds payable	6(15)	1,868,902	1,855,472	-
Long-term loans	6(16)	543,584	759,720	860,765
Deferred income tax liabilities	4, 6(24)	140,082	111,828	105,173
Lease liabilities - non-current	4, 6(21)	250,274	250,691	250,585
Net defined benefit liabilities - non-current	4, 6(17)	233,151	248,689	266,578
Other non-current liabilities	4, 12	255	255	255
Total non-current liabilities		<u>3,036,248</u>	<u>3,226,655</u>	<u>1,483,356</u>
Total liabilities		<u>5,745,265</u>	<u>6,161,487</u>	<u>5,223,093</u>
<b>Equity attributable to shareholders of the parent</b>				
Capital	6(18)			
Common stock		2,091,197	2,091,197	2,091,197
Capital surplus	6(18)	1,140,566	1,145,766	1,075,565
Retained earnings				
Legal reserve		1,089,400	1,014,369	1,014,369
Special reserve		235,996	234,299	234,299
Unappropriated earnings		3,606,661	3,515,661	3,381,416
Total retained earnings		<u>4,932,057</u>	<u>4,764,329</u>	<u>4,630,084</u>
Others	4	<u>(291,210)</u>	<u>(235,996)</u>	<u>(311,284)</u>
Total equity attributable to shareholders of the parent		<u>7,872,610</u>	<u>7,765,296</u>	<u>7,485,562</u>
Non-controlling interests	4, 6(18)	151,725	148,097	126,966
Total equity		<u>8,024,335</u>	<u>7,913,393</u>	<u>7,612,528</u>
<b>Total liabilities and equity</b>		<u>\$ 13,769,600</u>	<u>\$ 14,074,880</u>	<u>\$ 12,835,621</u>

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

(Concluded)

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

	Notes	Three Months Ended September 30		Nine Months Ended September 30	
		2022	2021	2022	2021
Operating revenue	4, 6(19)	\$ 2,372,004	\$ 2,685,848	\$ 6,861,226	\$ 7,260,599
Operating costs	4, 6(6,22)	(1,778,863)	(2,031,088)	(5,182,998)	(5,513,311)
Gross profit		593,141	654,760	1,678,228	1,747,288
Operating expenses	4, 6(22)				
Sales and marketing expenses		(147,295)	(132,768)	(415,781)	(381,331)
General and administrative expenses		(141,049)	(116,952)	(380,763)	(320,212)
Research and development expenses		(104,195)	(87,374)	(309,739)	(237,180)
Expected credit (loss) gain	6(20)	(857)	221	(5,001)	1,879
Total operating expenses		(393,396)	(336,873)	(1,111,284)	(936,844)
Operating income		199,745	317,887	566,944	810,444
Non-operating income and expenses	6(23)				
Interest income		2,171	1,311	6,459	3,494
Other income		17,183	5,770	24,032	11,229
Other gains and losses		113,180	(8,178)	304,907	(9,365)
Finance costs		(9,082)	(5,056)	(26,250)	(13,246)
Share of profit or loss of associates accounted for using the equity method	4, 6(8)	(1,217)	(926)	(817)	(5,252)
Total non-operating income and expenses		122,235	(7,079)	308,331	(13,140)
Income before income tax		321,980	310,808	875,275	797,304
Income tax expense	4, 6(24)	(68,260)	(60,865)	(186,580)	(172,332)
Net income of continuing operations		253,720	249,943	688,695	624,972
Net income		253,720	249,943	688,695	624,972
Other comprehensive income (loss)	6(23)				
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		(56,172)	(44,873)	(127,384)	(69,728)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		35,578	(4,154)	91,491	(9,089)
Income tax related to items that may be reclassified subsequently to profit or loss		(7,115)	831	(18,298)	1,818
Total other comprehensive income, net of tax		(27,709)	(48,196)	(54,191)	(76,999)
Total comprehensive income		\$ 226,011	\$ 201,747	\$ 634,504	\$ 547,973
Net income attributable to:	4, 6(18,25)				
Shareholders of the parent		\$ 256,986	\$ 246,883	\$ 690,527	\$ 616,064
Non-controlling interests		(3,266)	3,060	(1,832)	8,908
		\$ 253,720	\$ 249,943	\$ 688,695	\$ 624,972
Total comprehensive income attributable to:					
Shareholders of the parent		\$ 228,654	\$ 198,699	\$ 635,327	\$ 539,079
Non-controlling interests		(2,643)	3,048	(823)	8,894
		\$ 226,011	\$ 201,747	\$ 634,504	\$ 547,973
Earnings per share (NT\$)	4, 6(25)				
Earnings per share - basic		\$ 1.23	\$ 1.18	\$ 3.30	\$ 2.95
Earnings per share - diluted		\$ 1.05	\$ 1.18	\$ 2.81	\$ 2.93

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

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

Item	Equity Attributable to Shareholders of the Parent									
	Retained Earnings					Others		Total	Non-Controlling Interests	Total Equity
	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			
Balance as of January 1, 2021	\$ 2,091,197	\$1,066,147	\$ 939,900	\$ 230,993	\$ 3,365,926	\$ (227,699)	\$ (6,600)	\$ 7,459,864	\$ 118,072	\$ 7,577,936
Appropriation and distribution of 2020 earnings										
Legal reserve			74,469		(74,469)			-		-
Special reserve				3,306	(3,306)			-		-
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		9,418						9,418		9,418
Net income for the nine months ended September 30, 2021					616,064			616,064	8,908	624,972
Other comprehensive income for the nine months ended September 30, 2021						(7,257)	(69,728)	(76,985)	(14)	(76,999)
Total comprehensive income	-	-	-	-	616,064	(7,257)	(69,728)	539,079	8,894	547,973
Balance as of September 30, 2021	<u>\$ 2,091,197</u>	<u>\$1,075,565</u>	<u>\$ 1,014,369</u>	<u>\$ 234,299</u>	<u>\$ 3,381,416</u>	<u>\$ (234,956)</u>	<u>\$ (76,328)</u>	<u>\$ 7,485,562</u>	<u>\$ 126,966</u>	<u>\$ 7,612,528</u>
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 nine months ended September 30, 2022					690,527			690,527	(1,832)	688,695
Other comprehensive income for the nine months ended September 30, 2022						72,184	(127,384)	(55,200)	1,009	(54,191)
Total comprehensive income	-	-	-	-	690,527	72,184	(127,384)	635,327	(823)	634,504
Disposal of investments 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 September 30, 2022	<u>\$ 2,091,197</u>	<u>\$1,140,566</u>	<u>\$ 1,089,400</u>	<u>\$ 235,996</u>	<u>\$ 3,606,661</u>	<u>\$ (141,604)</u>	<u>\$ (149,606)</u>	<u>\$ 7,872,610</u>	<u>\$ 151,725</u>	<u>\$ 8,024,335</u>

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

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

	Nine Months Ended September 30	
	2022	2021
Cash flows from operating activities:		
Income before income tax	\$ 875,275	\$ 797,304
Adjustments:		
Non-cash income and expense items:		
Depreciation	301,864	277,656
Amortization	17,426	17,157
Expected credit loss (gain)	5,001	(1,879)
Net loss on financial assets (liabilities) at fair value through profit or loss	77,611	852
Interest expense	26,250	13,246
Interest income	(6,459)	(3,494)
Share of loss of associates accounted for using the equity method	817	5,252
(Gain) loss on disposal of property, plant and equipment	(207)	3,675
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	100,988	48,308
Changes in operating assets and liabilities:		
Increase in financial assets mandatorily at fair value through profit or loss	(54,595)	(5,482)
Decrease (increase) in notes receivable	57,901	(387,160)
(Increase) decrease in accounts receivable	(488,863)	12,549
Decrease (increase) in other receivables	3,217	(19,764)
Increase in inventories	(432,994)	(763,406)
Decrease (increase) in prepayments	1,216	(10,956)
Decrease (increase) in other current assets	779	(8,316)
Increase in other non-current assets	(9,301)	(654)
Increase in contract liabilities	55	1,041
Increase (decrease) in notes payable	64	(12)
Increase in accounts payable	72,696	84,743
Increase in other payables	54,050	45,844
Increase (decrease) in other current liabilities	7,467	(1,412)
(Decrease) increase in net defined benefit liabilities	(15,538)	4,620
Cash generated from operations	554,874	106,833
Interest received	6,620	3,732
Interest paid	(8,534)	(8,209)
Income tax paid	(49,222)	(310,699)
Net cash generated by (used in) operating activities	503,738	(208,343)

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

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

	Nine Months Ended September 30	
	2022	2021
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	\$ -	\$ (386,422)
Disposal of financial assets at amortized cost	227,100	88,919
Disposal of investments accounted for using the equity method	46,419	-
Acquisition of property, plant and equipment	(811,112)	(322,729)
Disposal of property, plant and equipment	927	1,956
Decrease in refundable deposits	364	11,589
Acquisition of intangible assets	(873)	(853)
Increase in other current assets - other financial assets - current	(1,679)	(21,549)
Net cash used in investing activities	(538,854)	(629,089)
Cash flows from financing activities:		
Increase in short-term loans	-	864,880
Decrease in short-term loans	(465,000)	-
Increase in long-term loans	-	346,765
Repayment of long-term loans	(208,279)	-
Distribution of cash dividends	(522,799)	(522,799)
Repayment of lease principal	(17,532)	(16,991)
Changes in non-controlling interests	4,437	-
Net cash (used in) generated by financing activities	(1,209,173)	671,855
Effect of exchange rate changes on cash and cash equivalents	65,703	(7,552)
Net decrease in cash and cash equivalents	(1,178,586)	(173,129)
Cash and cash equivalents at beginning of period	3,270,401	1,793,632
Cash and cash equivalents at end of period	\$ 2,091,815	\$ 1,620,503

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

(Concluded)

# TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 2022 and 2021 and the Year Ended December 31, 2021

(Numbers for the Nine Months Ended September 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 nine months ended September 30, 2022 and 2021 were approved and authorized for issue in the Board of Directors’ meeting on October 25, 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
IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024

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.

D. Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendments add additional accounting treatments to a seller-lessee in a sale and leaseback transaction under IFRS 16 “Leases” in order to enhance consistent application of accounting standards.

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 nine months ended September 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.

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(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.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Ownership Percentage		
			2022.09.30	2021.12.31	2021.09.30
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%

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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.

- (4) The consolidated financial statements for the nine months ended September 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 nine months ended September 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

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand and petty cash	\$ 833	\$ 734	\$ 832
Bank deposits	2,090,982	3,269,667	1,619,671
Total	<u>\$ 2,091,815</u>	<u>\$ 3,270,401</u>	<u>\$ 1,620,503</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Mandatorily at fair value through profit or loss:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 71	\$ 1,939	\$ 182
Stocks	26,990	25,590	25,183
Total	<u>\$ 27,061</u>	<u>\$ 27,529</u>	<u>\$ 25,365</u>

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

(3) Financial assets at amortized cost - current

	September 30, 2022	December 31, 2021	September 30, 2021
Time deposits - current	<u>\$ 49,800</u>	<u>\$ 276,900</u>	<u>\$ 49,800</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.

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(4) Notes receivable

	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable, net	\$ 871,403	\$ 929,304	\$ 1,114,882

The Group's notes receivables were not pledged.

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

(5) Accounts receivable

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable	\$ 3,566,394	\$ 3,064,862	\$ 3,490,413
Letter of credit receivable	-	12,668	-
Less: Loss allowance	(49,558)	(43,475)	(46,431)
Accounts receivable, net	\$ 3,516,836	\$ 3,034,055	\$ 3,443,982

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\$3,566,394 thousand, NT\$3,077,530 thousand and NT\$3,490,413 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively. Please refer to Note 6(20) for loss allowance for the nine months ended September 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 September 30, 2022, December 31, 2021 and September 30, 2021 were as follows:

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

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(6) Inventories

	September 30, 2022	December 31, 2021	September 30, 2021
Raw materials	\$ 1,037,782	\$ 810,251	\$ 873,291
Inventories in transit	35,980	80,585	88,412
Supplies	27,961	22,638	30,985
Work in progress	101,146	76,377	96,587
Finished goods	647,794	507,566	483,430
Merchandise	350,087	371,330	425,339
Total	<u>\$ 2,200,750</u>	<u>\$ 1,868,747</u>	<u>\$ 1,998,044</u>

The Group recognized NT\$1,778,863 thousand, NT\$2,031,088 thousand, NT\$5,182,998 thousand and NT\$5,513,311 thousand of operating costs associated with inventories for the three months and nine months ended September 30, 2022 and 2021, respectively. Inventory valuation loss for inventories written down to their net realizable value amounted to NT\$36,710 thousand for the three months ended September 30, 2022 and NT\$83,871 thousand and NT\$37,899 thousand for the nine months ended September 30, 2022 and 2021, respectively. Gain on inventory value recovery due to a decrease in allowance for inventory valuation losses from price recovery of inventories with allowance for inventory valuation losses at beginning of period, inventories sold or inventories used amounted to NT\$2,111 thousand for the three months ended September 30, 2021.

The aforementioned inventories were not pledged.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Investments in equity instruments at fair value through other comprehensive income - non-current:			
Publicly traded stocks	\$ 245,253	\$ 372,637	\$ 316,694
Non-publicly traded stocks	-	-	-
Total	<u>\$ 245,253</u>	<u>\$ 372,637</u>	<u>\$ 316,694</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	September 30, 2022		December 31, 2021		September 30, 2021	
	Amount	Ownership Percentage	Amount	Ownership Percentage	Amount	Ownership Percentage
Investments in associates:						
Innovision FlexTech Corp.	\$ 28,294	13.67%	\$ 28,793	14.37%	\$ 30,206	15.07%
Geckos Technology Corp.	-	-	12,253	29.19%	14,944	29.19%
Total	<u>\$ 28,294</u>		<u>\$ 41,046</u>		<u>\$ 45,150</u>	

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



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Fair value when there is a quoted market price: Innovision FlexTech Corp. is a company listed on the Emerging Stock Board of Taipei Exchange. The fair value of the Group's investment in Innovision FlexTech Corp. amounted to NT\$41,241 thousand as of September 30, 2022.

- 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 nine months ended September 30, 2022 and 2021 were as follows:

Investee	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Innovision FlexTech Corp.	\$ (1,217)	\$ 1,456	\$ 925	\$ 1,374
Geckos Technology Corp.	-	(2,382)	(1,742)	(6,626)
Total	<u>\$ (1,217)</u>	<u>\$ (926)</u>	<u>\$ (817)</u>	<u>\$ (5,252)</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:

	September 30, 2022	December 31, 2021	September 30, 2021
Total assets	\$ 407,214	\$ 417,162	\$ 462,167
Total liabilities	\$ 200,175	\$ 192,446	\$ 228,164

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Revenue	\$ 44,206	\$ 82,895	\$ 179,195	\$ 191,652
Net income (loss)	\$ (8,907)	\$ 1,661	\$ 6,615	\$ (9,431)

(9) Property, plant and equipment

	September 30, 2022	December 31, 2021	September 30, 2021
Owner-occupied property, plant and equipment	<u>\$ 3,852,690</u>	<u>\$ 3,360,247</u>	<u>\$ 3,260,422</u>

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A. Owner-occupied property, plant and equipment

	As of January 1, 2022	Additions	Disposals	Reclassification	Impairment Loss (Gain on Reversal)	Effect of Exchange Rate Changes	As of September 30, 2022
<u>Cost</u>							
Land	\$ 100,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,843
Buildings	1,720,051	116,746	-	-	-	12,185	1,848,982
Machinery and equipment	3,260,475	298,995	(7,809)	186	-	8,492	3,560,339
Hydropower equipment	456,946	15,721	-	-	-	1,563	474,230
Testing equipment	381,578	14,767	(799)	(186)	-	846	396,206
Miscellaneous equipment	339,828	29,583	(43,505)	-	-	969	326,875
Total	<u>\$ 6,259,721</u>	<u>\$ 475,812</u>	<u>\$ (52,113)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,055</u>	<u>\$ 6,707,475</u>
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 543,832	\$ 59,373	\$ -	\$ -	\$ -	\$ 862	\$ 604,067
Machinery and equipment	2,148,442	160,150	(7,361)	-	-	1,217	2,302,448
Hydropower equipment	264,442	16,507	-	-	-	238	281,187
Testing equipment	214,785	27,992	(527)	-	-	275	242,525
Miscellaneous equipment	243,399	20,272	(43,505)	-	-	407	220,573
Total	<u>\$ 3,414,900</u>	<u>\$ 284,294</u>	<u>\$ (51,393)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,999</u>	<u>\$ 3,650,800</u>
Construction in progress and equipment awaiting inspection	515,426	290,272	-	(11,546)	-	1,863	796,015
Net	<u>\$ 3,360,247</u>						<u>\$ 3,852,690</u>
	As of January 1, 2021	Additions	Disposals	Reclassification	Impairment Loss (Gain on Reversal)	Effect of Exchange Rate Changes	As of September 30, 2021
<u>Cost</u>							
Land	\$ 100,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,843
Buildings	1,639,242	76,689	-	-	-	(705)	1,715,226
Machinery and equipment	2,958,492	298,049	(64,872)	52,318	-	(511)	3,243,476
Hydropower equipment	438,521	8,609	-	-	-	(101)	447,029
Testing equipment	382,967	8,940	(5,736)	1,852	-	(45)	387,978
Miscellaneous equipment	386,551	7,269	(4,051)	(53,872)	-	(65)	335,832
Total	<u>\$ 5,906,616</u>	<u>\$ 399,556</u>	<u>\$ (74,659)</u>	<u>\$ 298</u>	<u>\$ -</u>	<u>\$ (1,427)</u>	<u>\$ 6,230,384</u>

(Continued)

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	As of January 1, 2021	Additions	Disposals	Reclassification	Impairment Loss (Gain on Reversal)	Effect of Exchange Rate Changes	As of September 30, 2021
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 472,642	\$ 53,168	\$ -	\$ -	\$ -	\$ (68)	\$ 525,742
Machinery and equipment	1,960,842	146,906	(59,480)	49,613	-	(94)	2,097,787
Hydropower equipment	244,201	14,999	-	-	-	(19)	259,181
Testing equipment	195,360	28,078	(5,497)	88	-	(20)	218,009
Miscellaneous equipment	278,077	18,079	(4,051)	(49,403)	(2,879)	(39)	239,784
Total	<u>\$ 3,151,122</u>	<u>\$ 261,230</u>	<u>\$ (69,028)</u>	<u>\$ 298</u>	<u>\$ (2,879)</u>	<u>\$ (240)</u>	<u>\$ 3,340,503</u>
Construction in progress and equipment awaiting inspection	421,251	3,373	-	(53,984)	-	(99)	370,541
Net	<u>\$ 3,176,745</u>						<u>\$ 3,260,422</u>

(Concluded)

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 nine months ended September 30, 2021. The recoverable amount was measured at fair value less costs of disposal, and the fair value was classified as level 3.

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

(10) Intangible assets

	As of January 1, 2022	Additions	Reclassification	Effect of Exchange Rate Changes	As of September 30, 2022
<u>Cost</u>					
Trademarks	\$ 732	\$ 106	\$ -	\$ -	\$ 838
Patents	47,964	91	-	-	48,055
Software cost	243,064	676	10,853	210	254,803
Goodwill	69,781	-	-	-	69,781
Total	<u>\$ 361,541</u>	<u>\$ 876</u>	<u>\$ 10,853</u>	<u>\$ 210</u>	<u>\$ 373,477</u>
<u>Accumulated amortization and impairment</u>					
Trademarks	\$ 486	\$ 42	\$ -	\$ -	\$ 528
Patents	40,713	622	-	-	41,335
Software cost	157,963	16,091	-	191	174,245
Total	<u>199,162</u>	<u>\$ 16,755</u>	<u>\$ -</u>	<u>\$ 191</u>	<u>216,108</u>
Net	<u>\$ 162,379</u>				<u>\$ 157,369</u>

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	As of January 1, 2021	Additions	Reclassification	Effect of Exchange Rate Changes	As of September 30, 2021
<u>Cost</u>					
Trademarks	\$ 691	\$ 41	\$ -	\$ -	\$ 732
Patents	47,677	143	- -	-	47,820
Software cost	182,327	669	46,857	(14)	226,839
Goodwill	69,781	-	- -	-	69,781
Total	<u>\$ 300,476</u>	<u>\$ 853</u>	<u>\$ 46,857</u>	<u>\$ (14)</u>	<u>\$ 348,172</u>
<u>Accumulated amortization and impairment</u>					
Trademarks	\$ 436	\$ 37	\$ -	\$ -	\$ 473
Patents	39,880	624	- -	-	40,504
Software cost	136,107	16,118	-	(16)	152,209
Total	<u>176,423</u>	<u>\$ 16,779</u>	<u>\$ -</u>	<u>\$ (16)</u>	<u>193,186</u>
Net	<u>\$ 124,053</u>				<u>\$ 154,986</u>

(11) Other non-current assets

	September 30, 2022	December 31, 2021	September 30, 2021
Refundable deposits	\$ 13,183	\$ 13,546	\$ 13,623
Other non-current assets - other	10,062	1,398	1,579
Total	<u>\$ 23,245</u>	<u>\$ 14,944</u>	<u>\$ 15,202</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 factors, and individual factors.

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.

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(13) Short-term loans

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured bank loans	\$ 325,000	\$ 790,000	\$ 1,014,880

The interest rate ranges of loans were 1.17% to 1.85%, 0.68% to 1.20% and 0.68% to 1.73% and the unused short-term credit facilities amounted to NT\$3,735,316 thousand, NT\$2,390,401 thousand and NT\$2,166,199 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Held for trading:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 6,573	\$ 4,861	\$ 2,559
- Foreign exchange swap contracts	179	352	183
Designated as at fair value through profit or loss:			
- Convertible bonds - put option	26,845	5,836	-
Total	\$ 33,597	\$ 11,049	\$ 2,742

(15) Bonds payable

	September 30, 2022	December 31, 2021	September 30, 2021
Overseas unsecured convertible bonds payable	\$ 1,868,902	\$ 1,855,472	\$ -
Less: Current portion	-	-	-
Net	\$ 1,868,902	\$ 1,855,472	\$ -

Overseas unsecured convertible bonds payable

	September 30, 2022	December 31, 2021	September 30, 2021
Liability component:			
Overseas unsecured convertible bonds payable			
- principal amount	\$ 1,945,300	\$ 1,945,300	\$ -
Overseas unsecured convertible bonds payable			
- discounts	(76,398)	(89,828)	-
Subtotal	\$ 1,868,902	\$ 1,855,472	\$ -
Less: Current portion	-	-	-
Net	\$ 1,868,902	\$ 1,855,472	\$ -
Embedded derivative financial instruments	\$ (26,845)	\$ (5,836)	\$ -
Equity component	\$ 70,203	\$ 70,203	\$ -

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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

Major redemption and put option 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.

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- 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".

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 September 30, 2022 was NT\$50.58 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 September 30, 2022, December 31, 2021 and September 30, 2021 were as follows:

Creditor	2022.09.30	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
Cathay United Bank - credit loan	150,000	2022.7.16 - 2024.7.16, revolving for 2 years after the commencement date with monthly interest payment
DBS Bank - credit loan	50,000	2022.2.21 - 2024.2.21, 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

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Creditor	2022.09.30	Contract Term and Repayment
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 - secured loan	33,370	2020.2.25 - 2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Taishin International Bank - secured loan	90,000	2020.2.25 - 2025.2.25, principal to be repaid by the remaining term with monthly interest payment
E.Sun Commercial Bank - secured loan	51,071	2022.3.25 - 2029.3.25, principal to be repaid in equal monthly installments with monthly interest payment
Subtotal	601,441	
Less: Current portion	(57,857)	
Total	<u>\$ 543,584</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 - secured loan	33,370	2020.2.25 - 2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Taishin International Bank - secured 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>	



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Creditor	2021.09.30	Contract Term and Repayment
Bank of Taiwan - syndicated loan	\$ 139,200	2020.10.29 - 2025.10.28, revolving for five years from the initial drawdown date with monthly interest payment
Export-Import Bank of the Republic of China - credit loan	150,000	2019.6.28 - 2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Mizuho Bank - credit loan	60,000	2020.10.5 - 2022.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank - credit loan	90,000	2020.10.5 - 2022.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank - credit loan	150,000	2020.10.5 - 2022.10.5, revolving for 2 years after the commencement date with monthly interest payment
DBS Bank - credit loan	83,520	2021.2.21 - 2023.2.21, revolving for 2 years after the commencement date with interest payment upon maturity
DBS Bank - credit loan	80,000	2021.2.21 - 2023.2.21, revolving for 2 years after the commencement date with interest payment upon maturity
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
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 - secured loan	33,370	2020.2.25 - 2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Taishin International Bank - secured loan	90,000	2020.2.25 - 2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Subtotal	914,590	
Less: Current portion	(50,000)	
Less: Unamortized syndicated loan fee	(3,825)	
Total	<u>\$ 860,765</u>	

- A. The interest rate ranges of loans were 1.1% to 1.61%, 0.7% to 1.57% and 0.70% to 1.57% as of September 30, 2022, December 31, 2021 and September 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.

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(17) Post-employment benefit plans

A. Defined contribution plan

Expenses under the defined contribution plan for the three months and nine months ended September 30, 2022 and 2021 were NT\$9,044 thousand, NT\$8,293 thousand, NT\$26,325 thousand and NT\$22,935 thousand, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan for the three months and nine months ended September 30, 2022 and 2021 were NT\$2,189 thousand, NT\$2,330 thousand, NT\$6,566 thousand and NT\$6,555 thousand, respectively.

(18) Equity

A. Capital

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

B. Capital surplus

	September 30, 2022	December 31, 2021	September 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	117,336
Total	<u>\$ 1,140,566</u>	<u>\$ 1,145,766</u>	<u>\$ 1,075,565</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.

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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.

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 September 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.

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D. Non-controlling interests (NCI)

	Nine Months Ended September 30	
	2022	2021
Beginning balance	\$ 148,097	\$ 118,072
Net income attributable to NCIs	(1,832)	8,908
Other comprehensive income attributable to NCIs:		
Exchange differences arising on translation of foreign operations	1,009	(14)
NCIs	4,451	-
Ending balance	<u>\$ 151,725</u>	<u>\$ 126,966</u>

(19) Operating revenue

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Revenue from sale of goods	<u>\$ 2,372,004</u>	<u>\$ 2,685,848</u>	<u>\$ 6,861,226</u>	<u>\$ 7,260,599</u>
Contract balance:				
	September 30, 2022	December 31, 2021	September 30, 2021	December 31, 2020
Contract liabilities - current				
Sale of goods	<u>\$ 1,908</u>	<u>\$ 1,853</u>	<u>\$ 3,549</u>	<u>\$ 2,508</u>

Beginning balance of contract liabilities reclassified to revenue amounted to NT\$1,853 thousand and NT\$2,508 thousand for the nine months ended September 30, 2022 and 2021, respectively.

(20) Expected credit (loss) gain

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Operating expenses - Expected credit (loss) gain				
Accounts receivable	<u>\$ (857)</u>	<u>\$ 221</u>	<u>\$ (5,001)</u>	<u>\$ 1,879</u>

Please refer to Note 12 for information concerning credit risk.

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

September 30, 2022

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 4,322,777	\$ 80,366	\$ 4,961	\$ 29,693	\$ 4,437,797
Loss ratio	0%~1%	3%~10%	20%~50%	50%~100%	
Lifetime expected credit losses	17,738	4,485	992	26,343	49,558
Subtotal	<u>\$ 4,305,039</u>	<u>\$ 75,881</u>	<u>\$ 3,969</u>	<u>\$ 3,350</u>	<u>\$ 4,388,239</u>

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>

September 30, 2021

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

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

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

	Receivables
Balance as of January 1, 2022	\$ 43,475
Appropriated in the current period	5,001
Write off	-
Effect of exchange rate changes	1,082
Balance as of September 30, 2022	<u>\$ 49,558</u>

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	<u>Receivables</u>
Balance as of January 1, 2021	\$ 48,373
Reversed in the current period	(1,879)
Write off	-
Effect of exchange rate changes	(63)
Balance as of September 30, 2021	<u>\$ 46,431</u>

(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

	September 30, 2022	December 31, 2021	September 30, 2021
Land	\$ 339,721	\$ 343,162	\$ 344,204
Buildings	9,630	13,980	12,097
Transportation equipment	23,400	13,961	15,115
Total	<u>\$ 372,751</u>	<u>\$ 371,103</u>	<u>\$ 371,416</u>

The Group's right-of-use assets increased by NT\$15,935 thousand and NT\$14,326 thousand for the nine months ended September 30, 2022 and 2021, respectively.

ii. Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Current	\$ 18,510	\$ 16,353	\$ 16,660
Non-current	250,274	250,691	250,585
Lease liabilities	<u>\$ 268,784</u>	<u>\$ 267,044</u>	<u>\$ 267,245</u>

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

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(b) Amounts recognized in the statements of comprehensive income

Depreciation of right-of-use assets

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Land	\$ 2,128	\$ 2,115	\$ 6,395	\$ 6,355
Buildings	1,574	1,713	4,719	4,791
Transportation equipment	2,431	1,874	6,456	5,280
Total	<u>\$ 6,133</u>	<u>\$ 5,702</u>	<u>\$ 17,570</u>	<u>\$ 16,426</u>

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Expense of short-term leases	\$ 26,819	\$ 8,140	\$ 62,630	\$ 21,057
Expense of leases of low value assets (excluding short-term leases of low value assets)	1,290	422	4,880	760

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

The Group's cash outflows from leases amounted to NT\$85,042 thousand and NT\$38,808 thousand for the nine months ended September 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.

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

Function Nature	Three Months Ended September 30					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	146,581	149,991	296,572	140,599	116,193	256,792
Labor and health insurance	15,688	10,337	26,025	14,476	9,263	23,739
Pension	6,509	4,724	11,233	6,409	4,214	10,623
Remuneration to directors	-	7,661	7,661	-	6,950	6,950
Other employee benefits	14,226	8,882	23,108	15,991	7,889	23,880
Depreciation	88,902	16,490	105,392	79,654	15,877	95,531
Amortization	661	5,162	5,823	783	5,294	6,077

Function Nature	Nine Months Ended September 30					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	434,027	402,426	836,453	388,083	331,401	719,484
Labor and health insurance	44,572	29,371	73,943	38,667	24,944	63,611
Pension	19,144	13,747	32,891	17,691	11,799	29,490
Remuneration to directors	-	20,124	20,124	-	17,665	17,665
Other employee benefits	45,732	24,919	70,651	43,082	22,236	65,318
Depreciation	253,080	48,784	301,864	231,170	46,486	277,656
Amortization	2,137	15,289	17,426	2,427	14,730	17,157

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.



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

	Nine Months Ended September 30	
	2022	2021
Compensation to employees	\$ 72,476	\$ 63,310
Remuneration to directors	19,816	17,340

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 January 19, 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 September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Interest income	\$ 2,171	\$ 1,311	\$ 6,459	\$ 3,494

B. Other income

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Other income	\$ 17,183	\$ 5,770	\$ 24,032	\$ 11,229

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C. Other gains and losses

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Gain (loss) on disposal of property, plant and equipment	\$ 794	\$ (1,042)	\$ 207	\$ (3,675)
Foreign exchange gain (loss), net	133,634	(2,946)	356,719	(6,792)
Gain on reversal of impairment loss for non-financial assets	-	-	-	2,879
Loss on financial assets (liabilities) at fair value through profit or loss, net	(20,393)	(3,946)	(77,611)	(852)
Gain on disposal of investments accounted for using the equity method	-	-	39,846	-
Other losses	(855)	(244)	(14,254)	(925)
Total	<u>\$ 113,180</u>	<u>\$ (8,178)</u>	<u>\$ 304,907</u>	<u>\$ (9,365)</u>

D. Finance costs

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Interest on bank borrowings	\$ (3,292)	\$ (3,730)	\$ (8,867)	\$ (9,376)
Interest on lease liabilities	(1,303)	(1,326)	(3,953)	(3,870)
Interest on bonds payable	(4,487)	-	(13,430)	-
Total	<u>\$ (9,082)</u>	<u>\$ (5,056)</u>	<u>\$ (26,250)</u>	<u>\$ (13,246)</u>

E. Components of other comprehensive income

For the three months ended September 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	\$ (56,172)	\$ -	\$ (56,172)	\$ -	\$ (56,172)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	35,578	-	35,578	(7,115)	28,463
Total	<u>\$ (20,594)</u>	<u>\$ -</u>	<u>\$ (20,594)</u>	<u>\$ (7,115)</u>	<u>\$ (27,709)</u>

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For the three months ended September 30, 2021:

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

For the nine months ended September 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	\$ (127,384)	\$ -	\$ (127,384)	\$ -	\$ (127,384)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	91,491	-	91,491	(18,298)	73,193
Total	<u>\$ (35,893)</u>	<u>\$ -</u>	<u>\$ (35,893)</u>	<u>\$ (18,298)</u>	<u>\$ (54,191)</u>

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For the nine months ended September 30, 2021:

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

(24) Income tax

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

Income tax recognized in profit or loss

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Current income tax expense:				
Current income tax expense	\$ 64,291	\$ 52,868	\$ 162,179	\$ 155,316
Income tax adjustments on prior years	2,423	(2,931)	2,563	(3,027)
Effect of exchange rate changes	(210)	1	(249)	98
Deferred income tax expense (benefit):				
Income tax expense (benefit) relating to origination and reversal of temporary differences	1,756	10,927	22,087	19,945
Income tax expense	<u>\$ 68,260</u>	<u>\$ 60,865</u>	<u>\$ 186,580</u>	<u>\$ 172,332</u>

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Income tax recognized in other comprehensive income

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Deferred income tax expense (benefit):				
Exchange differences arising on translation of foreign operations	\$ 7,115	\$ (831)	\$ 18,298	\$ (1,818)
Income tax relating to components of other comprehensive income	\$ 7,115	\$ (831)	\$ 18,298	\$ (1,818)

B. The assessment of income tax returns:

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

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

(25) Earnings per share (EPS)

	Three Months Ended September 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	\$ 256,986	209,120	\$ 1.23
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	3,590	38,460	
Employee compensation - stock	-	704	
Net income attributable to common shareholders of the Company and effect of potential common stocks	\$ 260,576	248,284	\$ 1.05

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Three Months Ended September 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	\$ 246,883	209,120	\$ 1.18
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Employee compensation - stock	-	546	
Net income attributable to common shareholders of the Company and effect of potential common stocks	\$ 246,883	209,666	\$ 1.18
Nine Months Ended September 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	\$ 690,527	209,120	\$ 3.30
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	10,744	38,460	
Employee compensation - stock	-	1,833	
Net income attributable to common shareholders of the Company and effect of potential common stocks	\$ 701,271	249,413	\$ 2.81
Nine Months Ended September 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	\$ 616,064	209,120	\$ 2.95
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Employee compensation - stock	-	1,369	
Net income attributable to common shareholders of the Company and effect of potential common stocks	\$ 616,064	210,489	\$ 2.93

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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

	September 30, 2022	December 31, 2021	September 30, 2021
Geckos	\$ -	\$ 123	\$ 239

(2) Prepayments

	September 30, 2022	December 31, 2021	September 30, 2021
Innatech	\$ 960	\$ 196	\$ 1,456
SINYA Network	129	244	755
Total	\$ 1,089	\$ 440	\$ 2,211

(3) Other payables - related parties

	September 30, 2022	December 31, 2021	September 30, 2021
SINYA Digital	\$ 2,109	\$ 33	\$ -
Innatech	-	1,359	859
SINYA Network	422	2,916	4,144
Total	\$ 2,531	\$ 4,308	\$ 5,003

(4) Property transactions

Acquisition of property, plant and equipment

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Innatech	\$ 1,358	\$ -	\$ 1,358	\$ -
SINYA Network	-	1,250	-	1,250
Total	\$ 1,358	\$ 1,250	\$ 1,358	\$ 1,250

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Acquisition of intangible assets

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Innatech	\$ -	\$ 1,632	\$ 202	\$ 42,595
(5) Others				

Rental income

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Geckos	\$ -	\$ 450	\$ 1,250	\$ 1,350

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

General and administrative expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Innatech	\$ 719	\$ 750	\$ 3,172	\$ 1,000
SINYA Network	46	2,156	2,306	4,555
SINYA Digital	471	-	916	-
Total	\$ 1,236	\$ 2,906	\$ 6,394	\$ 5,555

(6) Compensation to key management of the Group

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 28,721	\$ 23,629	\$ 71,514	\$ 52,412
Post-employment benefits	172	116	546	315
Total	\$ 28,893	\$ 23,745	\$ 72,060	\$ 52,727

8. Pledged Assets

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

	Carrying Amount			Purpose of Pledge
	September 30, 2022	December 31, 2021	September 30, 2021	
Time deposits (Note)	\$ 43,529	\$ 41,850	\$ 41,630	Customs guarantee
Land	100,843	100,843	100,843	Long-term loans
Buildings	94,849	90,828	92,020	Letter of credit, short-term credit facilities and long-term loans
Total	\$ 239,221	\$ 233,521	\$ 234,493	

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 September 30, 2022 were as follows:

	L/C Balance	
NTD	NT\$	240 thousand
JPY	JPY	607,300 thousand
USD	US\$	4,652 thousand

(2) Guaranteed notes issued by the Group amounted to NT\$24,000 thousand as of September 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

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets at fair value through profit or loss:			
Mandatorily at fair value through profit or loss	\$ 27,061	\$ 27,529	\$ 25,365
Financial assets at fair value through other comprehensive income	245,253	372,637	316,694
Financial assets at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	2,090,982	3,269,667	1,619,671
Financial assets at amortized cost	49,800	276,900	49,800
Receivables	4,435,378	4,013,876	4,632,986
Other financial assets - current	43,529	41,850	41,630

Financial liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Financial liabilities at fair value through profit or loss:			
Held for trading	\$ 6,752	\$ 5,213	\$ 2,742
Designated as at fair value through profit or loss	26,845	5,836	-
Financial liabilities at amortized cost:			
Short-term loans	325,000	790,000	1,014,880
Payables	2,010,631	1,928,516	2,534,033
Bonds payable (including current portion)	1,868,902	1,855,472	-
Long-term loans (including current portion)	601,441	809,720	910,765
Lease liabilities (current and non-current)	268,784	267,044	267,245

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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 nine months ended September 30, 2022 and 2021 to increase/decrease by NT\$1,350 thousand and NT\$1,259 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 nine months ended September 30, 2022 and 2021 to increase/decrease by NT\$12,263 thousand and NT\$15,835 thousand, respectively.

D. Pre-tax sensitivity analysis was as follows:

For the nine months ended September 30, 2022

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$ 21,950 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ NT\$ 1,158 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- NT\$ 1,214 thousand

For the nine months ended September 30, 2021

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$ 13,360 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ NT\$ 542 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	-/+ NT\$ 256 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>September 30, 2022</u>					
Borrowings	\$ 381,011	\$ 481,235	\$ 58,861	\$ 11,898	\$ 933,005
Payables	2,010,631	-	-	-	2,010,631
Convertible bonds	-	-	1,945,300	-	1,945,300
Lease liabilities	18,510	22,626	17,165	277,492	335,793
<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>September 30, 2021</u>					
Borrowings	\$ 1,066,237	\$ 690,390	\$ 170,375	\$ -	\$ 1,927,002
Payables	2,534,033	-	-	-	2,534,033
Lease liabilities	16,660	30,601	19,010	290,612	356,883

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>September 30, 2022</u>					
Inflows	\$ 513,384	\$ -	\$ -	\$ -	\$ 513,384
Outflows	527,629	-	-	-	527,629
Net	<u>\$ (14,245)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,245)</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>

(Continued)

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	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>September 30, 2021</u>					
Inflows	\$ 763,796	\$ -	\$ -	\$ -	\$ 763,796
Outflows	770,646	-	-	-	770,646
Net	<u>\$ (6,850)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,850)</u>

(Concluded)

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the nine months ended September 30, 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	(465,000)	(208,279)	(17,532)	-	-	(690,811)
Non-cash movements	-	-	19,272	-	13,430	32,702
As of September 30, 2022	<u>\$ 325,000</u>	<u>\$ 601,441</u>	<u>\$ 268,784</u>	<u>\$ 255</u>	<u>\$ 1,868,902</u>	<u>\$ 3,064,382</u>

Reconciliation of liabilities for the nine months ended September 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	864,880	346,765	(16,991)	-	-	1,194,654
Non-cash movements	-	-	10,984	-	-	10,984
As of September 30, 2021	<u>\$1,014,880</u>	<u>\$ 910,765</u>	<u>\$ 267,245</u>	<u>\$ 255</u>	<u>\$ -</u>	<u>\$ 2,193,145</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, short-term loans, 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 quoted market prices (e.g., listed equity securities).

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- (c) For bank borrowings and bonds payable with no quoted market price, the fair value is determined by the quoted 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.
- (d) In terms of derivative financial instruments with no quoted price in active markets, the fair value for non-option derivatives is determined by the quoted price of the counterparty or the discounted cash flow analysis using the applicable yield curve for the contract duration. As for option derivatives, the quoted price of the counterparty or the appropriate option pricing models (e.g., the Black-Sholes model or the binomial tree evaluation model of convertible bonds) are adopted to calculate the fair value.

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 September 30, 2022, December 31, 2021 and September 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>September 30, 2022</u>		
Sell RMB/Buy NTD	2022.05~2023.01	RMB 96,000/ NT\$ 419,698
Sell USD/Buy NTD	2022.08~2022.10	US\$ 2,000/ NT\$ 60,446
<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>September 30, 2021</u>		
Sell RMB/Buy NTD	2021.06~2022.02	RMB 150,000/ NT\$ 639,356
Sell USD/Buy NTD	2021.07~2021.11	US\$ 3,000/ NT\$ 83,564

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

<u>Currency</u>	<u>Contract Period</u>	<u>Contract Amount (in thousands)</u>
<u>September 30, 2022</u>		
Sell RMB/Buy NTD	2022.08~2022.12	RMB 7,600/ NT\$ 33,240
<u>December 31, 2021</u>		
Sell RMB/Buy NTD	2021.09~2022.04	RMB 9,600/ NT\$ 41,104
<u>September 30, 2021</u>		
Sell RMB/Buy NTD	2021.08~2022.01	RMB 9,600/ NT\$ 40,876

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.

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.

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B. Hierarchy of fair value measurement

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

	Level 1	Level 2	Level 3	Total
<u>September 30, 2022</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 71	\$ -	\$ 71
Stocks	26,990	-	-	26,990
Financial assets at fair value through other comprehensive income	245,253	-	-	245,253
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	6,573	-	6,573
Foreign exchange swap contracts	-	179	-	179
Embedded derivative instruments	-	-	26,845	26,845
<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>September 30, 2021</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 182	\$ -	\$ 182
Stocks	25,183	-	-	25,183
Financial assets at fair value through other comprehensive income	316,694	-	-	316,694

(Continued)



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	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 2,559	\$ -	\$ 2,559
Foreign exchange swap contracts	-	183	-	183
				(Concluded)

For the nine months ended September 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:

	September 30, 2022			December 31, 2021		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 101,800	31.797	\$ 3,236,884	\$ 159,471	27.690	\$ 4,415,749
RMB	25,971	4.4791	116,327	30,794	4.3477	133,883
JPY	178,404	0.2203	39,302	57,284	0.2405	13,777
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 32,775	31.797	\$ 1,042,130	\$ 35,138	27.690	\$ 972,977
JPY	177,853	0.2203	39,181	140,856	0.2405	33,876

	September 30, 2021		
	Foreign Currencies (in thousands)	Exchange Rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 106,119	27.840	\$ 2,954,353
RMB	12,741	4.305	54,854
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 58,088	27.840	\$ 1,617,170
JPY	194,831	0.2489	48,493

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

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As entities within the Group transact in various currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. For the three months and nine months ended September 30, 2022 and 2021, the Group's foreign exchange gain (loss) amounted to NT\$133,634 thousand, NT\$(2,946) thousand, NT\$356,719 thousand and NT\$(6,792) 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.

(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 of 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 September 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
September 30, 2021				
Factor	Amount Transferred	Amount Advanced	Interest Rate Range	Credit Line
CTBC Bank	US\$2,988 thousand	US\$2,988 thousand	0.76%	US\$5,500 thousand
Taishin International Bank	US\$5,209 thousand	US\$5,209 thousand	0.69%~0.70%	NT\$690,000 thousand
Taipei Fubon Bank	US\$7,699 thousand	US\$7,699 thousand	0.7%	US\$8,000 thousand

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13. Additional Disclosures

(1) Information on significant transactions and investees

- A. Financing provided to others: Please refer to Table 1.
- B. Endorsement/guarantee provided to others: Please refer to Table 2.
- C. Marketable securities held as of September 30, 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 nine months ended September 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 nine months ended September 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 nine months ended September 30, 2022: None.
- G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the nine months ended September 30, 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 September 30, 2022: Please refer to Table 5.
- I. Direct or indirect significant influence or control over the investees (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 nine months ended September 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 Segments

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.

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

Segment income (loss)

For the three months ended September 30, 2022

	General Management	Overseas	Adjustment and Elimination (Note)	Total
Revenue				
External customer	\$ 1,788,294	\$ 583,710	\$ -	\$ 2,372,004
Inter-segment	288,668	203,184	(491,852)	-
Total revenue	<u>\$ 2,076,962</u>	<u>\$ 786,894</u>	<u>\$ (491,852)</u>	<u>\$ 2,372,004</u>
Segment income (loss) (before income tax)	<u>\$ 327,258</u>	<u>\$ (16,678)</u>	<u>\$ 11,400</u>	<u>\$ 321,980</u>

Note: Inter-segment revenues were eliminated upon consolidation.

For the three months ended September 30, 2021

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

Note: Inter-segment revenues were eliminated upon consolidation.

For the nine months ended September 30, 2022

	General Management	Overseas	Adjustment and Elimination (Note)	Total
Revenue				
External customer	\$ 4,932,580	\$ 1,928,646	\$ -	\$ 6,861,226
Inter-segment	1,140,434	817,239	(1,957,673)	-
Total revenue	<u>\$ 6,073,014</u>	<u>\$ 2,745,885</u>	<u>\$ (1,957,673)</u>	<u>\$ 6,861,226</u>
Segment income (loss) (before income tax)	<u>\$ 846,277</u>	<u>\$ 11,333</u>	<u>\$ 17,665</u>	<u>\$ 875,275</u>

Note: Inter-segment revenues were eliminated upon consolidation.

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For the nine months ended September 30, 2021

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

Note: Inter-segment revenues were eliminated upon consolidation.

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

	General Management	Overseas	Adjustment and Elimination	Total
As of September 30, 2022	<u>\$ 10,201,968</u>	<u>\$ 5,655,015</u>	<u>\$ (2,087,383)</u>	<u>\$ 13,769,600</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 September 30, 2021	<u>\$ 9,650,272</u>	<u>\$ 5,905,248</u>	<u>\$ (2,719,899)</u>	<u>\$ 12,835,621</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	\$ 254,376	\$ 254,376	\$ -	1.70%~4.00%	2	-	Operating capital	-	-	-	\$ 1,574,522	\$ 3,149,044	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	158,985	158,985	-	1.70%~4.00%	2	-	Operating capital	-	-	-	1,574,522	3,149,044	(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	-	-	-	1,574,522	3,149,044	(Note 7)
1	Kunshan Taiflex Electronic Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	90,236	89,582	-	2.00%~4.00%	2	-	Operating capital	-	-	-	817,267	817,267	(Note 9)
1	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	631,652	627,074	537,492	2.00%~4.00%	2	-	Operating capital	-	-	-	817,267	817,267	(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 nine months ended September 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	\$ 3,936,305	\$ 540,549	\$ 540,549	\$ 361	\$ -	6.87%	\$ 3,936,305	Y	N	Y
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	2	3,936,305	131,241	-	-	-	0.00%		Y	N	Y
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Thailand) Co., Ltd.	2	3,936,305	476,955	476,955	-	-	6.06%		Y	N	N

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 nine months ended September 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 SEPTEMBER 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	September 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	245,253	6.90%	245,253	-
	Listed stocks	Zhen Ding Technology Holding Limited	-	Financial assets at fair value through profit or loss - current	255	26,990	0.03%	26,990	-

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	\$ 641,314	11.13%	Monthly settlement with payment in 180 days	-	-	\$ 647,770	18.89%	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	273,753	4.75%	Monthly settlement with payment in 180 days	-	-	129,498	3.78%	-
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Holds 100% of the third-tier subsidiary	Purchases	109,707	2.82%	Monthly settlement with payment in 180 days	-	-	(24,330)	(1.84%)	-
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	641,314	46.84%	Monthly settlement with payment in 180 days	-	-	(647,770)	(56.25%)	-
Shenzhen Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	Purchases	640,857	46.81%	Monthly settlement with payment in 180 days	-	-	(497,740)	(43.22%)	-
Kunshan Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	273,753	66.92%	Monthly settlement with payment in 180 days	-	-	(129,498)	(54.35%)	-
Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	Purchases	111,913	27.36%	Monthly settlement with payment in 180 days	-	-	(96,023)	(40.30%)	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	Sales	640,857	82.50%	Monthly settlement with payment in 180 days	-	-	497,740	80.85%	-
Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	The company's associate	Sales	111,913	14.41%	Monthly settlement with payment in 180 days	-	-	96,023	15.60%	-
Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Sales	109,707	77.54%	Monthly settlement with payment in 180 days	-	-	24,330	60.65%	-

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	\$ 647,770	1.07	-	-	\$ 115,061	-	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	129,498	1.66	-	-	44,521	-	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	497,740	1.46	-	-	78,681	-	-
Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	537,492	(Note 1)	-	-	-	-	-

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

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

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2022			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				September 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%	\$ 839,348	\$ (1,244)	\$ (1,244)	-
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	672	-	-	-
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	320,761	320,761	16,124	52.97%	255,110	(3,895)	(2,063)	-
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	93,309	98,101	3,602	13.67%	28,294	6,615	925	-
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	516,481	(2,333)	(4,138)	(Note 2)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	1,316,239	1,316,239	44,000	73.94%	1,544,789	(8,952)	(6,619)	-
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	14,637	148	148	-
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	8,820	1	100.00%	10,508	217	217	-
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor materials	246,000	246,000	17,000	100.00%	217,952	(13,591)	(13,544)	(Note 1)
Taiflex Scientific Co., Ltd.	Taiflex Green Power Co., Ltd.	Taiwan	Generation and selling of electricity from renewables	50,000	20,000	5,000	100.00%	50,464	537	539	(Note 1)
Taiflex Scientific Co., Ltd.	Taiflex Scientific (Thailand) Co., Ltd.	Thailand	Manufacturing and selling of electronic materials	425,846	-	49,671	100.00%	425,437	5	5	-
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	26.06%	544,538	(8,952)	(2,333)	-
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	817,341	7,976	7,976	-
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	113,517	28,649	3,960	100.00%	106,180	1,209	1,209	-
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	113,368	28,500	3,955	100.00%	106,527	1,209	1,209	-

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 September 30, 2022	Profit/Loss of Investee	Ownership Percentage (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of September 30, 2022	Accumulated Inward Remittances of Earnings as of September 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	\$ 7,976	100.00%	\$ 7,976	\$ 817,267	\$ 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	(54,352)	100.00%	(54,352)	1,333,352	-
	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	45,400	100.00%	45,400	755,909	-
Koatech Technology Corporation	Kunshan Koatech Technology Corporation	A wholesaler and a commission agent of electronic materials and components	\$113,219 (US\$3,950,000)	2	28,351	84,868	-	113,219	1,210	52.97%	641	56,421	-
Accumulated Outflows of Investment from Taiwan to Mainland China as of September 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		\$113,219			\$140,222					\$193,568			

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\$322,614 thousand  $\times$  60% = NT\$193,568 thousand

TABLE 8: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 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	\$ 641,314	General trading terms	9.35%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	647,770	General trading terms	4.70%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Sales revenue	273,753	General trading terms	3.99%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Accounts receivable	129,498	General trading terms	0.94%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Sales revenue	52,455	General trading terms	0.76%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Accounts receivable	59,692	General trading terms	0.43%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Sales revenue	30,857	General trading terms	0.45%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Accounts receivable	28,524	General trading terms	0.21%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Other receivables	58,908	General trading terms	0.43%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Sales revenue	640,857	General trading terms	9.34%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Accounts receivable	497,740	General trading terms	3.61%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Sales revenue	111,913	General trading terms	1.63%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Accounts receivable	96,023	General trading terms	0.70%
2	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	3	Other receivables	537,492	General trading terms	3.90%
3	Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	2	Sales revenue	109,707	General trading terms	1.60%
3	Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	2	Accounts receivable	24,330	General trading terms	0.18%

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	Total Shares Owned	Ownership Percentage
Chang Wah Electromaterials Inc.	20,936,000	10.01%
Qiao Mei Development Corporation	16,263,729	7.77%

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.