

# **TAIFLEX SCIENTIFIC COMPANY LIMITED**

## **Parent Company Only Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report**

Address: No.1, Huanqu 3rd Rd., Qianzhen Dist., Kaohsiung City, Taiwan (R.O.C.)

Telephone: 886-7-813-9989

### **Notice to Readers**

*The English parent company only financial statements are not reviewed nor audited by independent auditors. They have been translated into English from the original Chinese version which are audited 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' Report**

To Taiflex Scientific Co., Ltd.

### **Audit opinion**

We have audited the parent company only balance sheets of Taiflex Scientific Co., Ltd. (hereinafter referred to as “Taiflex” or the “Company”) as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to parent company only financial statements (including a summary on significant accounting policies).

In our opinion, the aforementioned parent company only financial statements present fairly, in all material respects, the parent company only financial status of Taiflex as of December 31, 2022 and 2021, and its parent company only financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for audit opinion**

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of Taiflex in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (“the Norm”), and we have fulfilled our other responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are ones that were of most significance in our audit of the parent company only financial statements of Taiflex for the year ended December 31, 2022 based on our professional judgment. These matters have been covered during the audit of the overall parent company only financial statements and in forming the audit opinion. We will not express a separate opinion on these matters. Key audit matters to be communicated on the independent auditors' report are stated as follows:

#### **1. Impairment of receivables**

Net receivables generated from the selling of flexible copper-clad laminate and cover layer amounted to NT\$2,682,152 thousand and accounted for 22% of Taiflex's total assets as of December 31, 2022. Hence, it was considered a material item to the Company. Loss allowance for accounts receivables was measured at an amount equal to lifetime expected credit losses. As the measurement of expected credit losses involved judgment, analysis and estimation and the outcome would affect the net accounts receivables, the impairment of receivables was identified as a key audit matter.

Our audit procedures included, but not limited to, the assessment on the appropriateness of expected credit loss rate for receivables, i.e., tests on the effectiveness of internal control established by the management for receivables, random selection of customers for receivable confirmations, and verification of subsequent collections in order to assess the recoverability of receivables. We tested the accuracy of aging, analyzed changes in aging, and assessed the reasonableness of receivables with longer collection terms.

We also considered the appropriateness of disclosures on receivables and associated risks in Notes 5 and 6 to the parent company only financial statements.

## 2. Inventory valuation

As of December 31, 2022, net inventories of flexible copper-clad laminate and cover layer amounted to NT\$1,267,489 thousand; thus, it was a significant item to Taiflex. Due to uncertainties arising from rapid changes in product technologies, allowance for inventory obsolescence and valuation losses involved significant judgment of management. Hence, it was considered a key audit item.

Our audit procedures included, but not limited to, tests on the effectiveness of internal control established by the management for inventories, such as cost carryover of inventories, assessment on inventory status, evaluation on management's stocktaking plans, and on-site observation of stocktaking at major warehouses to ensure the quantities and conditions of inventories. We assessed the accuracy of inventory aging, analyzed movements in inventory aging, and considered the expected demand and market value of inventories. We evaluated management's analyses and assessments on obsolete inventories, including the estimations on the possibility of inventory realization and net realizable value, and tested whether the allowance for writing down inventories to their net realizable value was adequate.

We also considered the appropriateness of disclosures on inventories in Notes 5 and 6 to the parent company only financial statements.

### **Responsibilities of management and those charged with governance for the parent company only financial statements**

The responsibilities of management are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRICs, and SICs endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and maintain necessary internal controls associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

In preparing the parent company only financial statements, management is also responsible for assessing the ability of Taiflex in continuing as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate the Taiflex or cease the operations, or has no realistic alternative but to do so.

Those charged with governance of Taiflex (including the Audit Committee) are responsible for supervising the financial reporting process.

## **Auditors' responsibilities for the audit of the parent company only financial statements**

Our objectives are to obtain reasonable assurance on whether the parent company only financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If those amounts of misstatements, either individually or in the aggregate, could reasonably be expected to influence the economic decisions of financial statements users, they are considered material.

We have exercised professional judgment and professional skepticism when carrying out auditing work according to the auditing standards. We also perform the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within the parent company only financial statements; design and execute appropriate counter-measures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud or error is higher than for one resulting from error.
2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Taiflex's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Based on the audit evidence obtained, we conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on Taiflex's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the parent company only financial statements to pay attention to relevant disclosures in the notes to those statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may result in Taiflex ceasing to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements adequately represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within Taiflex Group to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit on those investees and the preparation of an audit opinion on the Group.

Matters communicated between us and the governance bodies include the planned scope and timing of the audit, and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provide governance bodies with a declaration that we have complied with the Norm regarding independence, and to communicate with them all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with governance bodies, we determine the key audit matters within the audit of Taiflex's parent company only financial statements for the year ended December 31, 2022. We have clearly indicated such matters in the independent auditors' report, unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the independent auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Ernst & Young, Taiwan

February 22, 2023

TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2022	December 31, 2021
<b>Current assets</b>			
Cash and cash equivalents	4, 6(1)	\$ 1,220,684	\$ 2,475,183
Financial assets at fair value through profit or loss - current	4, 6(2)	26,925	27,529
Financial assets at amortized cost - current	4, 6(3)	30,743	276,900
Notes receivable, net	4, 6(4)	359	947
Accounts receivable, net	4, 6(5)	2,073,040	1,541,995
Accounts receivable - related parties	6(5), 7	608,753	1,334,489
Other receivables		27,681	37,329
Other receivables - related parties	7	73,018	52,948
Inventories, net	4, 6(6)	1,267,489	1,264,356
Prepayments		14,113	15,959
Other current assets	8	21,083	22,177
Total current assets		<u>5,363,888</u>	<u>7,049,812</u>
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income - non-current	4, 6(7)	255,689	372,637
Investments accounted for using the equity method	4, 6(8)	3,847,586	3,379,245
Property, plant and equipment	4, 6(9)	2,334,661	2,159,881
Right-of-use assets	4, 6(20)	241,187	241,961
Intangible assets	4, 6(10)	89,778	91,212
Deferred income tax assets	4, 6(23)	108,464	126,798
Prepayments for investments	4, 6(8)	-	26,659
Other non-current assets	4, 6(11)	6,474	7,144
Total non-current assets		<u>6,883,839</u>	<u>6,405,537</u>
<b>Total assets</b>		<u>\$ 12,247,727</u>	<u>\$ 13,455,349</u>

(Continued)

(The accompanying notes are an integral part of the parent company only financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY BALANCE SHEETS-(Continued)  
December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2022	December 31, 2021
<b>Current liabilities</b>			
Short-term loans	6(12)	\$ 190,000	\$ 780,000
Financial liabilities at fair value through profit or loss - current	4, 6(13)	21,069	10,697
Contract liabilities - current	4, 6(18)	-	957
Accounts payable		648,729	1,120,605
Accounts payable - related parties	7	58,345	33,887
Other payables		516,649	478,021
Other payables - related parties	7	15,826	26,123
Current income tax liabilities	4, 6(23)	274,858	128,609
Lease liabilities - current	4, 6(20)	9,988	8,896
Current portion of long-term loans	6(14)	60,583	50,000
Other current liabilities		3,121	2,875
Total current liabilities		<u>1,799,168</u>	<u>2,640,670</u>
<b>Non-current liabilities</b>			
Bonds payable	6(14)	1,873,400	1,855,472
Long-term loans	6(15)	141,417	594,850
Deferred income tax liabilities	4, 6(23)	108,015	111,660
Lease liabilities - non-current	4, 6(20)	238,548	238,712
Net defined benefit liabilities - non-current	4, 6(16)	179,147	248,689
Total non-current liabilities		<u>2,540,527</u>	<u>3,049,383</u>
Total liabilities		<u>4,339,695</u>	<u>5,690,053</u>
<b>Equity</b>			
Capital	6(17)		
Common stock		2,091,197	2,091,197
Capital surplus	6(17)	1,140,566	1,145,766
Retained earnings			
Legal reserve		1,089,400	1,014,369
Special reserve		235,996	234,299
Unappropriated earnings		3,661,049	3,515,661
Total retained earnings		<u>4,986,445</u>	<u>4,764,329</u>
Others	4	<u>(310,176)</u>	<u>(235,996)</u>
Total equity		<u>7,908,032</u>	<u>7,765,296</u>
<b>Total liabilities and equity</b>		<u>\$ 12,247,727</u>	<u>\$ 13,455,349</u>

(The accompanying notes are an integral part of the parent company only financial statements.)

(Concluded)

TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
For the Years Ended December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars)

	Notes	2022	2021
Operating revenue	4, 6(18), 7	\$ 7,287,918	\$ 7,671,215
Operating costs	4, 6(6, 21), 7	(5,551,347)	(5,895,089)
Gross profit		<u>1,736,571</u>	<u>1,776,126</u>
Realized sales profit or loss		<u>3,226</u>	<u>5,243</u>
Gross profit, net		<u>1,739,797</u>	<u>1,781,369</u>
Operating expenses	4, 6(21)		
Sales and marketing expenses		(355,369)	(382,637)
General and administrative expenses		(356,117)	(308,223)
Research and development expenses		(350,360)	(284,484)
Expected credit (loss) gain	6(19)	<u>(2,526)</u>	<u>3,472</u>
Total operating expenses		<u>(1,064,372)</u>	<u>(971,872)</u>
Operating income		<u>675,425</u>	<u>809,497</u>
Non-operating income and expenses	6(22)		
Interest income		7,734	1,474
Other income		39,306	31,766
Other gains and losses		230,285	(22,581)
Finance costs		(30,284)	(17,516)
Share of profit or loss of subsidiaries and associates accounted for using the equity method	4, 6(8)	<u>(54,431)</u>	<u>100,091</u>
Total non-operating income and expenses		<u>192,610</u>	<u>93,234</u>
Income before income tax from continuing operations		868,035	902,731
Income tax expense	4, 6(23)	<u>(167,552)</u>	<u>(168,077)</u>
Net income from continuing operations		<u>700,483</u>	<u>734,654</u>
Net income		<u>700,483</u>	<u>734,654</u>
Other comprehensive income (loss)	6(22)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan		55,540	19,569
Unrealized losses on investments in equity instruments at fair value through other comprehensive income		(116,948)	(15,622)
Income tax related to items that will not be reclassified subsequently	6(23)	<u>(11,108)</u>	<u>(3,914)</u>
Items that may be reclassified subsequently to profit or loss	6(22)		
Exchange differences on translation of foreign operations		53,477	17,406
Income tax related to items that may be reclassified subsequently	6(23)	<u>(10,695)</u>	<u>(3,481)</u>
Total other comprehensive (loss) income, net of tax		<u>(29,734)</u>	<u>13,958</u>
Total comprehensive income		<u>\$ 670,749</u>	<u>\$ 748,612</u>
Earnings per share (NT\$)	4, 6(24)		
Earnings per share - basic		<u>\$ 3.35</u>	<u>\$ 3.51</u>
Earnings per share - diluted		<u>\$ 2.87</u>	<u>\$ 2.98</u>

(The accompanying notes are an integral part of the parent company only financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
For the Years Ended December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars)

Item	Retained Earnings					Others		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
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)
Changes in other capital surplus								
Due to recognition of equity component of convertible bonds - stock options		70,203						70,203
Changes from investments in associates accounted for using the equity method		9,416						9,416
Net income for the year ended December 31, 2021					734,654			734,654
Other comprehensive income (loss) for the year ended December 31, 2021					15,655	13,925	(15,622)	13,958
Total comprehensive income	-	-	-	-	750,309	13,925	(15,622)	748,612
Balance as of December 31, 2021	<u>\$ 2,091,197</u>	<u>\$ 1,145,766</u>	<u>\$1,014,369</u>	<u>\$ 234,299</u>	<u>\$ 3,515,661</u>	<u>\$ (213,774)</u>	<u>\$ (22,222)</u>	<u>\$ 7,765,296</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
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)
Changes in other capital surplus								
Changes from investments in associates accounted for using the equity method		7						7
Net income for the year ended December 31, 2022					700,483			700,483
Other comprehensive income (loss) for the year ended December 31, 2022					44,432	42,782	(116,948)	(29,734)
Total comprehensive income	-	-	-	-	744,915	42,782	(116,948)	670,749
Disposal of investments accounted for using the equity method		(5,207)						(5,207)
Changes in percentage of ownership interests in subsidiaries						(14)		(14)
Balance as of December 31, 2022	<u>\$ 2,091,197</u>	<u>\$ 1,140,566</u>	<u>\$1,089,400</u>	<u>\$ 235,996</u>	<u>\$ 3,661,049</u>	<u>\$ (171,006)</u>	<u>\$ (139,170)</u>	<u>\$ 7,908,032</u>

(The accompanying notes are an integral part of the parent company only financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Income before income tax	\$ 868,035	\$ 902,731
Adjustments:		
Non-cash income and expense items:		
Depreciation	290,617	280,706
Amortization	21,286	19,555
Expected credit loss (gain)	2,526	(3,472)
Net loss on financial assets (liabilities) at fair value through profit or loss	69,775	12,631
Interest expense	30,284	17,516
Interest income	(7,734)	(1,474)
Share of loss (profit) of subsidiaries and associates accounted for using the equity method	54,431	(100,091)
(Gain) loss on disposal of property, plant and equipment	(80)	7,348
Gain on disposal of investments accounted for using the equity method	(39,846)	(1,612)
Others	89,949	36,272
Changes in operating assets and liabilities:		
Increase in financial assets mandatorily at fair value through profit or loss	(58,799)	(15,399)
Decrease in notes receivable	588	631
(Increase) decrease in accounts receivable	(533,571)	324,728
Decrease (increase) in accounts receivable - related parties	725,736	(248,309)
Decrease in other receivables	10,642	5,539
(Increase) decrease in other receivables - related parties	(20,070)	72,709
Increase in inventories	(93,085)	(418,603)
Decrease in prepayments	2,548	5,850
Decrease (increase) in other current assets	1,066	(707)
(Decrease) increase in contract liabilities	(957)	465
Decrease in notes payable	-	(12)
Decrease in accounts payable	(471,876)	(292,901)
Increase in accounts payable - related parties	24,458	22,796
Increase (decrease) in other payables	32,082	(16,422)
(Decrease) increase in other payables - related parties	(10,297)	7,626
Decrease in other current liabilities	(3,169)	(5,260)
(Decrease) increase in net defined benefit liabilities	(14,002)	6,300
Cash generated from operations	970,537	619,141
Interest received	6,740	1,468
Interest paid	(7,380)	(11,354)
Income tax paid	(28,255)	(287,109)
Net cash generated by operating activities	941,642	322,146

(Continued)

(The accompanying notes are an integral part of the parent company only financial statements.)

TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS-(Continued)  
For the Years Ended December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from investing activities:		
Acquisition of investments in equity instruments at fair value through other comprehensive income - non-current	\$ -	\$ (388,259)
Acquisition of financial assets at amortized cost	-	(138,181)
Disposal of financial assets at amortized cost	246,157	-
Acquisition of investments accounted for using the equity method	(455,846)	(453,431)
Disposal of investments accounted for using the equity method	46,419	3,000
Increase in prepayments for investments	-	(26,659)
Acquisition of property, plant and equipment	(469,432)	(285,312)
Disposal of property, plant and equipment	1,927	4,299
Increase in refundable deposits	-	(760)
Decrease in refundable deposits	670	-
Acquisition of intangible assets	(169)	(11,389)
Decrease (increase) in other current assets - other financial assets	28	(31)
Dividends received	4,676	-
Net cash used in investing activities	<u>(625,570)</u>	<u>(1,296,723)</u>
Cash flows from financing activities:		
Increase in short-term loans	-	630,000
Decrease in short-term loans	(590,000)	-
Issuance of corporate bonds	-	1,945,300
Increase in long-term loans	-	204,220
Repayment of long-term loans	(442,850)	-
Repayment of lease principal	(14,922)	(14,718)
Distribution of cash dividends	(522,799)	(522,799)
Net cash (used in) generated by financing activities	<u>(1,570,571)</u>	<u>2,242,003</u>
Net (decrease) increase in cash and cash equivalents	(1,254,499)	1,267,426
Cash and cash equivalents at beginning of period	2,475,183	1,207,757
Cash and cash equivalents at end of period	<u>\$ 1,220,684</u>	<u>\$ 2,475,183</u>

(The accompanying notes are an integral part of the parent company only financial statements.)

(Concluded)

TAIFLEX SCIENTIFIC COMPANY LIMITED  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
For the Years Ended December 31, 2022 and 2021  
(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 parent company only financial statements of the Company for the years ended December 31, 2022 and 2021 were approved and authorized for issue in the Board of Directors’ meeting on February 22, 2023.

3. Newly Issued or Revised Standards and Interpretations

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

The Company 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 Company.

(2) As of the date of issuance of the financial statements, the Company has not adopted the following new, revised or amended standards and interpretations issued by International Accounting Standards Board (IASB) and endorsed by the 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  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)  
(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 the FSC to take effect for annual periods beginning on January 1, 2023. The aforementioned standards or interpretations do not have any material impact on the Company.

- (3) As of the date of issuance of the financial statements, the Company has not adopted the following new, revised or amended standards and interpretations issued by IASB but not yet endorsed by the 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, 2024
IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
IAS 1	Non-current Liabilities with Covenants	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.

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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.

E. Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments improve the information companies provide on long-term debts. Covenants with which the companies shall comply within 12 months after the reporting date would not affect the classification of liabilities as current or non-current as of the reporting date.

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

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The parent company only financial statements for the years ended December 31, 2022 and 2021 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRIC interpretations and SIC interpretations endorsed by the FSC.

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(2) Basis of preparation

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

The Company accounts for subsidiaries by using the equity method in the preparation of the parent company only financial statements. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted through “investments accounted for using the equity method” and “share of profit or loss of subsidiaries and associates accounted for using the equity method” in the parent company only financial statements.

(3) Foreign currency transactions and translation of financial statements in foreign currencies

The Company’s parent company only financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency.

Transactions in foreign currencies are initially recognized by the Company at the rates of exchange prevailing at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the spot rates of that date; non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is measured; and non-monetary items measured at historical cost that are denominated in foreign currencies are retranslated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement or translation of monetary items are recognized in profit or loss in the period in which they arise, except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 “Financial Instruments” are accounted for based on the accounting policies for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss upon disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

In the preparation of parent company only financial statements, the assets and liabilities of foreign operations are translated into New Taiwan Dollars using the closing rates at the reporting date and income and expense items are translated at the average exchange rates for the period. The exchange differences arising on the translation are recognized in other comprehensive income. Upon disposal of the foreign operations, the cumulative exchange differences recognized in other comprehensive income and accumulated in the separate component of equity are reclassified from equity to profit or loss when recognizing the gain or loss on disposal. The partial disposal involving the loss of control of a subsidiary that includes

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a foreign operation, and the partial disposal of interests in an associate or a joint arrangement that includes a foreign operation while the retained interests are financial assets that include a foreign operation are accounted for as disposals.

On the partial disposal of a subsidiary that includes a foreign operation while retaining control, the proportionate share of the cumulative exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation instead of being recognized in profit or loss. In partial disposal of an associate or a joint arrangement that includes a foreign operation while retaining significant influence or joint control, the proportionate share of the cumulative exchange differences is reclassified to profit or loss.

Goodwill arising from the acquisition of a foreign operation and fair value adjustments on the carrying amounts of assets and liabilities of such an acquisition are deemed as assets and liabilities of the foreign operation and expressed in the functional currency of the foreign operation.

(4) Classification of current and non-current assets and liabilities

An asset is classified as current when:

- A. the Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. the Company holds the asset primarily for the purpose of trading
- C. the Company expects to realize the asset within twelve months after the reporting period
- D. the asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- A. the Company expects to settle the liability in its normal operating cycle
- B. the Company holds the liability primarily for the purpose of trading
- C. the liability is due to be settled within twelve months after the reporting period
- D. the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with terms equal to or less than three months).

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(6) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities within the scope of IFRS 9 “Financial Instruments” are recognized initially at fair value plus or minus, in the case of financial assets and financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities.

A. Recognition and measurement of financial assets

The Company accounts for regular way purchase or sales of financial assets on the trade date basis.

The Company classifies financial assets as subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss based on the following two conditions:

- (a) the business model for managing the financial assets, and
- (b) the contractual cash flow characteristics of the financial assets

Financial assets at amortized cost

A financial asset satisfying both conditions below is measured at amortized cost and presented as notes receivables, accounts receivables, financial assets at amortized cost or other receivables on the balance sheet:

- (a) the business model for managing the financial assets: the financial asset is held to collect its contractual cash flows, and
- (b) the contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

Such financial assets (excluding ones involved in a hedging relationship) are subsequently measured at amortized cost {the amount initially recognized less principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount (calculated using the effective interest method), and adjusted for loss allowance}. A gain or loss is recognized in profit or loss when the financial asset is derecognized, going through the amortization process or recognizing the impairment gains or losses.

Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the following situations is recognized in profit or loss:

- (a) For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
- (b) For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

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Financial assets at fair value through other comprehensive income

A financial asset satisfying both conditions below is measured at fair value through other comprehensive income and presented as financial assets at fair value through other comprehensive income on the balance sheet:

- (a) the business model for managing the financial assets: the financial asset is held to collect its contractual cash flows and for sale, and
- (b) the contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

Recognition of gains or losses on such a financial asset is described below:

- (a) Prior to its derecognition or reclassification, the gain or loss on a financial asset at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses, which are recognized in profit or loss.
- (b) Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the follow situations is recognized in profit or loss:
  - i. For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
  - ii. For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

In addition, for an equity instrument within the scope of IFRS 9 that is not held for trading and the contingent consideration recognized by an acquirer in a business combination under IFRS 3 does not apply, the Company makes an (irrevocable) election at initial recognition to present its subsequent changes in the fair value in other comprehensive income. Amounts presented in other comprehensive income cannot be subsequently transferred to profit or loss (upon disposal of such equity instrument, its cumulative amount in other equity is transferred directly to retained earnings) and shall be recognized as a financial asset at fair value through other comprehensive income on the balance sheet. Dividends from the investment are recognized in profit or loss unless they clearly represent the recovery of a part of the investment cost.

Financial assets at fair value through profit or loss

Except for financial assets that are measured at amortized cost or at fair value through other comprehensive income due to the satisfaction of certain conditions, all other financial assets are measured at fair value through profit or loss and presented as financial assets at fair value through profit or loss on the balance sheet.

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Those financial assets are measured at fair value and the gains or losses resulting from their remeasurement are recognized in profit or loss, which include dividends or interests received on such financial assets.

**B. Impairment of financial assets**

The Company recognizes and measures the loss allowance for debt instrument investments at fair value through other comprehensive income and financial assets at amortized cost at an amount equal to expected credit losses. The loss allowance on debt instrument investments at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount of the investments.

The Company measures expected credit loss in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available (without undue cost or effort at the balance sheet date)

The loss allowance is measured as follows:

- (a) at an amount equal to 12-month expected credit losses: including financial assets whose credit risk has not increased significantly since initial recognition or ones that are determined to have low credit risk at the balance sheet date. In addition, financial assets whose loss allowance is measured at an amount equal to lifetime expected credit losses in the previous reporting period, but the condition of a significant increase in credit risk since initial recognition is no longer met at the current balance sheet date shall also be included.
- (b) at an amount equal to lifetime expected credit losses: including financial assets whose credit risk has increased significantly since initial recognition or purchased or originated credit-impaired financial assets.
- (c) for accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) for lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company assesses whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default at the reporting date and initial recognition. Please refer to Note 12 for further details on credit risk.

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C. Derecognition of financial assets

The Company derecognizes a financial asset when

- (a) The contractual rights to receive cash flows from the asset have expired;
- (b) The Company has transferred the asset as well as substantially all the risks and rewards of the assets; or
- (c) The Company has not transferred nor retained substantially all the risks and rewards of the asset, but has transferred the control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or to be received including any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

D. Financial liabilities and equity instruments

Classification of liability and equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

Equity instruments

Equity instruments are contracts that represent residual interests after the Company deducts all of its liabilities from its assets. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs.

Compound instruments

The Company determines the liability and equity components of the convertible bonds issued based on the contractual terms. Also, it assesses if the economic characteristics and risks of the call and put options embedded in the bonds are closely related to the host contract before separating the equity component.

The fair value of liability component excluding the derivative instruments is determined based on the interest rate of the market for non-convertible bonds with a similar nature and the component is classified as a financial liability at amortized cost prior to the conversion or settlement of the instrument. As for the part of embedded derivative instruments not closely related to the economic characteristics and risks of the host contract (e.g., embedded call and put options with exercise prices confirmed to be not approximately equal to the amortized cost of the debt instrument on each exercise day), it is classified as a liability component and measured at fair value through profit or loss in the subsequent periods, unless it qualifies as an equity component. The amount of equity component is determined as the fair value of convertible bonds less the liability component and its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bonds do not have an equity component, it is accounted for as a hybrid instrument pursuant to IFRS 9.

Transaction costs are allocated between the liability and equity components using the percentages for allocating the proceeds of the convertible bonds to the liability and equity components at the initial recognition.

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Where a bondholder demands to exercise his/her conversion right before the maturity, the carrying amount of the liability component shall be adjusted to the carry amount as of the conversion date to serve as the basis to account for the issuance of common stocks.

Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or financial liabilities at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

Financial liabilities are classified as held for trading when

- (a) They are acquired principally for the purpose of being sold in the near future;
- (b) They are part of a portfolio of identifiable financial instruments managed together upon initial recognition and there is evidence of a short-term profit-taking pattern recently; or
- (c) They are derivative instruments (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments.)

For contracts containing one or more embedded derivative instruments, the entire hybrid (combined) contracts may be designated as financial liabilities at fair value through profit or loss. They would be designated as at fair value through profit or loss upon initial recognition when one of the following conditions is met and more relevant information can be provided:

- (a) The designation can eliminate or significantly reduce inconsistencies in measurement or recognition; or
- (b) A group of financial liabilities or a group of financial assets and liabilities is managed and assessed for its performance on a fair value bases pursuant to a documented risk management or investment strategy and the group information provided internally to the management team is also on a fair value basis.

Gains or losses resulting from the remeasurement of such financial liabilities, including interests paid, are recognized in profit or loss.

Financial liabilities at amortized costs

Financial liabilities at amortized costs include payables and loans. After initial recognition, they are measured using the effective interest method. When financial liabilities are derecognized and amortized using the effective interest method, the resulting gains and losses as well as amortization expenses are recognized in profit or loss.

The calculation of amortized cost takes into account the discounts or premiums at the time of acquisition and transaction costs.

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Derecognition of financial liabilities

Financial liabilities are derecognized when the obligations of the liabilities are discharged, cancelled or expired.

When there has been an exchange of debt instruments with substantially different terms between the Company and the creditors or a substantial modification on all or a part of terms of the existing financial liabilities (whether or not due to financial difficulties), the accounting treatment is to derecognize the original liabilities while recognizing the new liabilities. Upon derecognition, the difference between the carrying amount and the consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

E. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset with the net amount presented on the balance sheet only when the Company has a current and legally enforceable right to offset the recognized amounts and an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(7) Derivative instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading), except for ones that are designated effective hedging instruments which are classified as derivative assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the dates on which derivative contracts are entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of a net investment in a foreign operation, which is recognized in equity.

Where the host contracts are non-financial assets or non-financial liabilities, derivatives embedded in host contracts are accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

(8) Fair value measurement

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 fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in one of the following markets:

- A. The principal market of the asset or liability, or
- B. In the absence of a principal market, the most advantageous market for the asset or liability.

The principal or the most advantageous market shall be the one accessible to the Company.

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The fair value measurement of assets or liabilities uses the assumptions adopted by market participants when determining the prices of the assets or liabilities. Market participants are assumed to act in their economic best interest.

The fair value measurement of non-financial assets takes into account the market participants' ability to generate economic benefits through the highest and best use of the assets or by selling the assets to another market participant who would use the assets in their highest and best use.

The Company adopts valuation techniques that are appropriate under the circumstance and have sufficient data available for fair value measurement. It maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

(9) Inventories

Inventories are valued at the lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present condition and location are accounted for as follows:

Raw materials	- Actual purchase cost
Work in progress and finished goods	- Cost of direct materials, labor and manufacturing overheads allocated based on normal operating capacity. Borrowing costs are excluded.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale.

(10) Investments accounted for using the equity method

The Company accounts for its investments in subsidiaries and associates using the equity method, except for ones classified as non-current assets held for sale.

A. Investment in subsidiaries

A subsidiary is an entity controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost. After the acquisition date, the carrying amount is adjusted to reflect the Company's share of profit or loss and other comprehensive income of the subsidiary. The Company recognizes its share of profit or loss and other comprehensive income of the subsidiary in profit or loss and other comprehensive income. Earning distributions received from the subsidiary reduce the carrying amount of the investment.

Unrealized gains or losses from downstream transactions between the Company and its subsidiaries are eliminated in the Company's parent company only financial statements. Profits and losses from upstream and lateral transactions are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

Financial statements of subsidiaries are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring subsidiaries' accounting policies into line with those used by the Company.

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When changes in a subsidiary's equity are not caused by profit or loss or other comprehensive income, and such changes do not affect the Company's ownership percentage, the Company recognizes related changes in equity according to its ownership percentage. Changes in the Company's ownership interests in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transactions. The difference between the carrying amount of the investment and the fair value of consideration paid or received is recognized directly in equity.

The Company ceases to use the equity method when it loses control over the subsidiary. The retained investment is measured and recognized at fair value. The difference between the carrying amount of the former subsidiary and the fair value of the remaining investment plus proceeds from disposal is recognized in profit or loss. If an investment in a subsidiary becomes an investment in a joint venture or vice versa, the Company continues to apply the equity method and does not remeasure the interest previously held.

The Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. The difference between the recoverable amount and the carrying value of the subsidiary is recognized as an impairment loss in the statement of comprehensive income and the carrying amount of the investment is adjusted accordingly.

**B. Investment in associates**

An associate is an entity over which the Company has significant influence and that is not a subsidiary. Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Difference between the Company's investment cost and the share of fair value of associates' identifiable assets and liabilities is accounted for as follows:

- (a) Any excess of the investment cost over the Company's share of fair value of associates' identifiable assets and liabilities as of the acquisition date is recognized as goodwill and included in the carrying amount of the investment. Goodwill cannot be amortized.
- (b) Any excess of the Company's share of net fair value of associates' identifiable assets and liabilities over the investment cost is recognized as a gain in profit or loss on the investment date, after reassessing the fair value.

Under the equity method, an investment in an associate is initially recognized at cost. After the acquisition date, the carrying amount is adjusted to reflect the Company's share of profit or loss and other comprehensive income of the associate. The Company recognizes its share of profit or loss and other comprehensive income of the associate in profit or loss and other comprehensive income. Earning distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the associate arising from changes in the associate's other comprehensive income. Any unrealized gains or losses resulting from transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates.

The financial statements of the associates are prepared for the same reporting period as the Company and adjustments are made for their accounting policies to be consistent with the ones adopted by the Company.

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If the Company subscribes more shares than its original ownership percentage when an associate issues new shares, while maintaining its significant influence over that associate, such an increase would be accounted for as an additional investment in the associate. If the Company's subscription results in a decrease in its ownership percentage while maintaining significant influence over that associate, a proportionate share of gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. When the Company subscribes or acquires shares of associates in a percentage differs from its existing shareholding percentage which in turn changes its net interest in the associate, the change is adjusted through capital surplus. Where the change in equity of an associate does not result from its profit or loss or other comprehensive income, and such changes do not affect the Company's ownership percentage, the Company recognizes its proportionate share of all related changes in equity. Upon disposal of the associate, the Company reclassifies the aforementioned capital surplus to profit or loss on a pro rata basis.

The Company ceases to use the equity method when it loses significant influence over the associate. The retained investment is measured and recognized at fair value. The difference between the carrying amount of the former associate and the fair value of the remaining investment plus proceeds from disposal is recognized in profit or loss. If an investment in an associate becomes an investment in a joint venture or vice versa, the Company continues to apply the equity method and does not remeasure the interest previously held.

The Company determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. The difference between the recoverable amount and the carrying value of the associate is recognized as an impairment loss in the statement of comprehensive income and the carrying amount of the investment is adjusted accordingly.

(11) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment, if any. Such cost includes the cost of dismantling and removing the item, restoring the site on which it is located, and borrowing costs for construction in progress if the recognition criteria are met. Each part of property, plant and equipment with a cost that is significant in relation to the total cost is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts separately as individual assets with specific useful lives and depreciation methods. The carrying amount of those parts is derecognized in accordance with the provisions of IAS 16 "Property, Plant and Equipment." When a major inspection is performed, the cost is recognized in the carrying amount of the plant and equipment as a replacement cost if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

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Buildings	5 to 50 years
Machinery and equipment	5 to 10 years
Hydropower equipment	5 to 20 years
Testing equipment	10 years
Right-of-use assets	2 to 50 years
Miscellaneous equipment	5 to 20 years

An item or any significant part of property, plant and equipment initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at the end of each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(12) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial time period to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(13) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, which fail to meet the recognition criteria, are not capitalized. They are recognized in profit or loss as incurred.

The useful lives of intangible assets are categorized as either finite or indefinite.

Intangible assets with finite lives are amortized on a straight-line basis over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method of an intangible asset with a finite useful life are reviewed at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization method or period, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

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In-process intangible assets - research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- A. the technical feasibility of completing the intangible asset so that it will be available for use or sale
- B. its intention to complete and its ability to use or sell the asset
- C. how the asset will generate future economic benefits
- D. the availability of resources to complete the asset
- E. the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied, i.e., the asset is required to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

(14) Impairment of non-financial assets

The Company assesses whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired at the end of each reporting period. If any such indication exists, or when annual impairment testing for an asset is required, the Company would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or its CGU exceeds its recoverable amount, the asset is considered impaired. An asset’s recoverable amount is the higher of an asset’s net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been a change in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

A CGU, or groups of CGUs, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the CGU (or group of units), then to the other assets of the unit (or group of units) pro rata based on the carrying amount of each asset in the unit (or group of units.) Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

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(15) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, of which amount can be reliably estimated. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset only when it is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the liability due to the passage of time is recognized as a borrowing cost.

(16) Revenue recognition

The Company's revenue from contracts with customers mostly involves the sale of goods. The accounting treatment is detailed as follows:

The Company manufactures and sells goods. Revenues are recognized when goods have been delivered to the customers and customers have obtained control (i.e., the customers can direct the use of goods and obtain substantially all remaining benefits from the goods). The main products of the Company are flexible copper-clad laminate, coverlay, bonding sheet, stiffener and composite film. Revenues are recognized based on the prices stated on the contracts.

The credit terms of accounts receivables are generally set at monthly settlement with payment in 60 to 180 days. Accounts receivables are recognized when the control over goods is transferred and the Company has an unconditional right to collect the considerations. Those accounts receivables usually have a short collection period and do not have a significant financing component.

As for contracts where a part of the considerations is collected upon signing the contracts, the Company assumes the obligations to transfer the goods subsequently. Thus, they are recognized as contract liabilities. As it usually takes less than one year for the said contract liabilities to be reclassified to revenue, no significant financing component has arisen.

(17) Leases

On the dates the contracts are established, the Company assesses whether the contracts are (or contain) leases. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is defined as (or contains) a lease. To assess if a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether the following two conditions are met during the period of use:

- A. Having the right to obtain substantially all of the economic benefits from the use of identified asset; and
- B. Having the right to direct the use of identified asset.

For contracts that are (or contain) leases, the Company accounts for each lease component as a lease and handles separately from the non-lease components within the contracts. For contracts that contain one lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contracts to the lease component on the basis of the relative stand-alone price of each lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone prices of lease and non-lease components are determined based on the prices that the lessor (or a similar supplier)

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would charge for those components (or similar components) separately. If an observable stand-alone price is not readily available, the Company would maximize the use of observable information to estimate the stand-alone price.

The Company being a lessee

Except for short-term leases or leases of low value assets, when the Company is a lessee to lease contracts, it recognizes right-of-use assets and lease liabilities for all leases.

On the commencement date, the Company measures lease liabilities by the present value of outstanding lease payments. If the interest rate implicit in the lease can be readily determined, lease payments would be discounted using this rate. If the rate cannot be readily determined, the Company would use the incremental borrowing rate of lessee. On the commencement date, lease payments for lease liabilities include the following outstanding payments which are related to the right to use the underlying asset during the lease term:

- A. Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B. Variable lease payments that are determined by an index or a rate (adopting the initial measurement of the index or rate on the commencement date);
- C. Amounts expected to be paid by the lessee under residual value guarantees;
- D. The exercise price of a purchase option if the Company is reasonably certain to exercise the option; and
- E. Penalties to be paid for terminating the lease, if the lease term reflects that the lessee will exercise the option to terminate the lease.

After the commencement date, the Company measures lease liabilities on amortized cost basis. It increases the carrying amount of lease liabilities via the effective interest method to reflect the interest of lease liabilities. The carrying amount of lease liabilities is reduced when lease payments are made.

The Company measures right-of-use assets at cost on the commencement date. The costs of right-of-use assets include:

- A. The initial measurement amount of lease liabilities;
- B. All lease payments made on or before the commencement date, less any lease incentives received;
- C. Any initial direct costs incurred by the lessee; and
- D. The estimated costs for the lessee to dismantle and remove the underlying asset and restore its original location or to restore the underlying asset to the conditions required by the lease terms and conditions.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, i.e., the cost model is adopted to measure the right-of-use assets.

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If the underlying assets' ownership is transferred to the Company at the end of lease term, or the cost of right-of-use assets reflects the fact that the Company will exercise the purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of underlying assets' useful life. Otherwise, the Company depreciates the right-of-use assets from the commencement date to the end of underlying assets' useful life or the end of lease term, whichever is earlier.

The Company applies IAS 36 "Impairment of Assets" to determine whether the right-of-use assets are impaired and account for any impairment loss identified.

Except for short-term leases or leases of low value assets, the Company recognizes right-of-use assets and lease liabilities on the balance sheets and lease-related depreciation and interest expenses on the statements of comprehensive income.

For short-term leases or leases of low value assets, the Company elects to adopt the straight-line basis or another systematic basis to recognize the lease payments associated with the leases as expenses during the lease terms.

For rent concessions as a direct consequence of COVID-19, the Company elects not to assess whether they are lease modifications and accounts for them as changes in lease payments instead. In addition, such practical expedient is applied to all rent concessions that meet certain criteria.

The Company being a lessor

On the date the contract is established, the Company classifies each lease as an operating or finance lease. If the lease transfers substantially all of the risks and rewards incidental to the underlying asset's ownership, it is classified as a finance lease; otherwise, it is classified as an operating lease. On the commencement date, the Company recognizes its assets under finance leases at net investment amounts on the balance sheet as finance lease receivable.

For contracts that contain lease and non-lease components, the Company adopts IFRS 15 to allocate the considerations of contracts.

The Company adopts the straight-line basis or another systematic basis to recognize lease payments from operating leases as rental income. Variable lease payments under operating leases that are not determined by an index or a rate are recognized as rental income as incurred.

(18) Post-employment benefit plans

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the parent company only financial statements.

For the defined contribution plan, the Company would make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

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Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The remeasurements of net defined benefit liability (asset) include return on plan assets and any changes in the effect of the asset ceiling, and exclude amounts included in the net interest on the net defined benefit liability (asset) and actuarial gains and losses. The remeasurements of net defined benefit liability (asset) are recognized in other comprehensive income in the periods they occur and immediately recognized in the retained earnings. Past service cost is the change in the present value of defined benefit obligation due to plan amendments or curtailments. It is recognized as an expense at the earlier of the following two dates:

- A. when a plan amendment or curtailment occurs; and
- B. when the Company recognizes any related restructuring costs or termination benefits.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate. Both net defined benefit liability (asset) and discount rate are determined at the beginning of annual reporting period. Changes in net defined benefit liability (asset) due to actual contributions and benefits paid during the period shall be taken into consideration.

(19) Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred income tax.

Current income tax

Current income tax liabilities (assets) for the current and prior periods are measured based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity respectively, instead of in profit or loss.

The additional income tax for undistributed earnings is recognized as income tax expense on the date when the distribution proposal is approved in the shareholders' meeting.

Deferred income tax

Deferred income tax is the temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the taxable temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);
- B. Where the taxable temporary differences are associated with investments in subsidiaries and associates and the timing of its reversal can be controlled; and it is probable that the temporary differences will not be reversed in the foreseeable future.

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Deferred income tax assets are recognized for all deductible temporary differences, unused tax losses and carryforward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and carryforward of unused tax credits can be utilized, except:

- A. Where the deferred income tax asset is related to the deductible temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- B. Where the deferred income tax asset is related to the deductible temporary differences associated with investments in subsidiaries and associates. The deferred income tax asset is recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax relating to items recognized outside profit or loss cannot be recognized as profit or loss. Instead, it is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred income tax assets are reassessed and recognized at each reporting date.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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

The preparation of the Company's parent company only financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(1) Major sources of estimation and uncertainty

The key sources of estimation and uncertainty concerning the future at the reporting date that may result in significant risks for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed as follows:

A. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions of those models could affect the fair value of the reported financial instruments. Please refer to Note 12 for details.

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B. Impairment of non-financial assets

Where the carrying amount of an asset or a CGU exceeds its recoverable amount, the asset or CGU is considered impaired. The recoverable amount is the higher of the fair value net of costs of disposal or value in use of the asset or CGU. The fair value net of costs of disposal is calculated by subtracting the incremental costs that are directly attributable to the disposal of the asset or CGU from 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 value in use is calculated based on the discounted cash flows model. The estimated cash flows are based on a budget for the next five years and shall exclude restructurings the Company has yet to commit to or major investments in later periods that are necessary for enhancing the said CGU's performance. The recoverable amount is easily influenced by the discount rate used in the discounted cash flows model and the expected future cash inflows and growth rate applied for extrapolation purposes. Please refer to Note 6 for details on the principal assumptions for determining the recoverable amount of different CGUs, including the sensitivity analysis.

C. Receivables - impairment loss estimate

The Company estimates the impairment loss of receivables by measuring the lifetime expected credit losses. Credit loss is calculated as the present value of the difference between contractual cash flows that are due to the Company under contracts (the carrying amount) and cash flows the Company expects to receive (by assessing the forward-looking information). For short-term receivables, as the discount effect is not significant, credit loss is measured using the undiscounted difference. Less-than-expected future cash flows could result in significant impairment charges. Please refer to Note 6(19) for details.

D. Inventories

The estimates of net realizable value for inventory take into account inventory spoilage, total or partial obsolescence or selling price declines. They are based on the most reliable evidence available when those estimates are made. Please refer to Note 6(6) for details.

E. Post-employment benefit plans

The cost of pension plan and the present value of defined benefit obligation within the post-employment benefit plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rates and expected future salary changes. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6(16).

F. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences between the actual results and the assumptions made or future changes to such assumptions could necessitate future adjustments to tax benefit and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

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Deferred income tax assets are recognized for unused tax losses, carryforward of unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred income tax assets to be recognized is based upon the likely timing and the level of future taxable income and taxable temporary differences together with future tax planning strategies. Deferred income tax assets which have not been recognized by the Company as of December 31, 2022 are disclosed in Note 6(22).

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	\$ 333	\$ 333
Bank deposits	1,020,679	2,474,850
Repurchased agreements	199,672	-
Total	<u>\$ 1,220,684</u>	<u>\$ 2,475,183</u>

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

	December 31, 2022	December 31, 2021
Mandatorily at fair value through profit or loss:		
Derivative instruments not designated in a hedging relationship		
- Forward foreign exchange contracts	\$ 189	\$ 1,939
Stocks	26,736	25,590
Total	<u>\$ 26,925</u>	<u>\$ 27,529</u>

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

(3) Financial assets at amortized cost - current

	December 31, 2022	December 31, 2021
Time deposits - current	<u>\$ 30,743</u>	<u>\$ 276,900</u>

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

(4) Notes receivable, net

	December 31, 2022	December 31, 2021
Notes receivable, net	<u>\$ 359</u>	<u>\$ 947</u>

The Company's notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6(19) for details on loss allowance and Note 12 for credit risk.

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(5) Accounts receivable, net

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 2,083,478	\$ 1,549,907
Less: Loss allowance	(10,438)	(7,912)
Subtotal	2,073,040	1,541,995
Accounts receivable - related parties	608,753	1,334,489
Total	\$ 2,681,793	\$ 2,876,484

- A. The Company'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\$2,692,231 thousand and NT\$2,884,396 thousand as of December 31, 2022 and 2021, respectively. Please refer to Note 6(19) for loss allowance for the years ended December 31, 2022 and 2021 and Note 12 for credit risk.
- C. The Company entered into factoring agreements without recourse with banks for accounts receivable selected. The details as of December 31, 2022 and 2021 were as follows:

As of December 31, 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	-

(6) Inventories, net

	December 31, 2022	December 31, 2021
Raw materials	\$ 791,893	\$ 664,335
Inventories in transit	3,571	660
Supplies	8,535	10,135
Work in progress	14,382	72,221
Finished goods	443,540	492,299
Merchandise	5,568	24,706
Total	\$ 1,267,489	\$ 1,264,356

The Company recognized NT\$5,551,347 thousand and NT\$5,895,089 thousand of operating costs associated with inventories for the years ended December 31, 2022 and 2021, respectively. Inventory valuation loss for inventories written down to their net realizable value amounted to NT\$72,550 thousand and NT\$27,718 thousand and was recognized as an addition to operating costs for the years ended December 31, 2022 and 2021, respectively.

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The aforementioned inventories were not pledged.

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

	December 31, 2022	December 31, 2021
Investments in equity instruments at fair value through other comprehensive income - non-current:		
Publicly traded stocks	\$ 255,689	\$ 372,637
Non-publicly traded stocks	-	-
Total	<u>\$ 255,689</u>	<u>\$ 372,637</u>

The said financial assets at fair value through other comprehensive income were not pledged. As of December 31, 2022, the unrealized valuation loss on financial assets at fair value through other comprehensive income was fully recognized upon evaluation under valuation adjustment of investments in equity instruments at fair value through other comprehensive income. Please refer to Table 3 for details.

(8) Investments accounted for using the equity method

Investee	December 31, 2022		December 31, 2021	
	Amount	Ownership Percentage	Amount	Ownership Percentage
Investments in subsidiaries:				
Taistar Co., Ltd.	\$ 820,617	100.00%	\$ 815,530	100.00%
Leadmax Limited	651	100.00%	585	100.00%
Koatech Technology Corp.	246,458	52.97%	234,040	53.86%
Taichem Materials Co., Ltd.	231,455	100.00%	231,496	100.00%
Taiflex Green Power Co., Ltd. (Note 1)	50,608	100.00%	19,926	100.00%
TFS Co., Ltd.	507,363	100.00%	505,886	100.00%
Taiflex Scientific Japan Co., Ltd.	15,519	100.00%	15,824	100.00%
Richstar Co., Ltd.	1,504,884	73.94%	1,505,966	73.94%
Taiflex USA Corporation	10,303	100.00%	8,946	100.00%
Taiflex Scientific (Thailand) Co., Ltd. (Note 2)	432,220	100.00%	-	-
Subtotal	<u>3,820,078</u>		<u>3,338,199</u>	
Investments in associates:				
Innovision FlexTech Corp.	27,508	13.67%	28,793	14.37%
Geckos Technology Corp. (Note 3)	-	-	12,253	29.19%
Subtotal	<u>27,508</u>		<u>41,046</u>	
Total	<u>\$ 3,847,586</u>		<u>\$ 3,379,245</u>	

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

Note 2: The Company established Taiflex Scientific (Thailand) Co., Ltd. in Thailand and acquired 100% of the company in May 2022.

Note 3: The Company sold all of its holdings in Geckos Technology Corp. in May 2022.

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

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\$36,018 thousand as of December 31, 2022.

- A. The shares of profit or loss of subsidiaries and associates accounted for using the equity method for the years ended December 31, 2022 and 2021 were as follows:

Investee	Years Ended December 31	
	2022	2021
Taistar Co., Ltd.	\$ (6,877)	\$ 32,491
Leadmax Limited	2	-
Innovision FlexTech Corp.	138	1,351
Koatech Technology Corp.	(9,877)	11,916
Taichem Materials Co., Ltd.	(41)	(9,920)
Taiflex Green Power Co., Ltd.	682	(74)
TFS Co., Ltd.	(12,771)	15,708
Taiflex Scientific Japan Co., Ltd.	210	247
Richstar Co., Ltd.	(23,625)	57,313
Taiflex USA Corporation	359	376
Taiflex Scientific (Thailand) Co., Ltd.	(889)	-
Geckos Technology Corp.	(1,742)	(9,317)
Total	<u>\$ (54,431)</u>	<u>\$ 100,091</u>

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

	December 31, 2022	December 31, 2021
Total assets	\$ 381,120	\$ 417,162
Total liabilities	\$ 179,834	\$ 192,446

	Years Ended December 31	
	2022	2021
Revenue	\$ 228,126	\$ 254,197
Net income	\$ 863	\$ 18,739

- E. The aforementioned recoverable amount was measured at fair value less costs of disposal and the fair value was determined using the market approach, which took into account recent financing activities of the investees, technology development status, companies with similar attributes, market conditions and other economic indicators. This was a level 3 fair value measurement.

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F. The Company's prepayments for investments of NT\$26,659 thousand were for the capital increase of Koatech Technology Corporation. Koatech had completed its capital increase on the record date of January 14, 2022.

(9) Property, plant and equipment

	December 31, 2022	December 31, 2021
Owner-occupied property, plant and equipment	\$ 2,334,661	\$ 2,159,881

A. Owner-occupied property, plant and equipment

	As of January 1, 2022	Additions	Disposals	Reclassification	As of December 31, 2022
<u>Cost</u>					
Buildings	\$ 1,088,270	\$ 2,938	\$ -	\$ -	\$ 1,091,208
Machinery and equipment	2,632,097	220,606	(12,582)	-	2,840,121
Hydropower equipment	398,353	5,220	(680)	-	402,893
Testing equipment	295,289	8,814	(265)	-	303,838
Miscellaneous equipment	212,055	4,881	(7,024)	-	209,912
Total	\$ 4,626,064	\$ 242,459	\$ (20,551)	\$ -	\$ 4,847,972
<u>Accumulated depreciation and impairment</u>					
Buildings	\$ 344,880	\$ 48,213	\$ -	\$ -	\$ 393,093
Machinery and equipment	1,811,325	171,714	(10,735)	-	1,972,304
Hydropower equipment	251,194	16,370	(680)	-	266,884
Testing equipment	163,227	24,622	(265)	-	187,584
Miscellaneous equipment	138,453	17,479	(7,024)	-	148,908
Total	\$ 2,709,079	\$ 278,398	\$ (18,704)	\$ -	\$ 2,968,773
Construction in progress and equipment awaiting inspection	242,896	232,951	-	(20,385)	455,462
Net	\$ 2,159,881				\$ 2,334,661

	As of January 1, 2021	Additions	Disposals	Reclassification	As of December 31, 2021
<u>Cost</u>					
Buildings	\$ 1,061,921	\$ 26,349	\$ -	\$ 19,323	\$ 1,088,270
Machinery and equipment	2,418,299	289,310	(75,512)	265,298	2,632,097
Hydropower equipment	381,753	16,600	-	3,961	398,353
Testing equipment	302,227	14,999	(21,937)	5,715	295,289
Miscellaneous equipment	208,918	7,981	(4,844)	-	212,055
Total	\$ 4,373,118	\$ 60,942	\$ (102,293)	\$ 294,297	\$ 4,626,064

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED  
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	As of January 1, 2021	Additions	Disposals	Reclassification	As of December 31, 2021
<u>Accumulated depreciation and impairment</u>					
Buildings	\$ 296,809	\$ 48,071	\$ -	\$ -	\$ 344,880
Machinery and equipment	1,715,688	163,355	(67,718)	-	1,811,325
Hydropower equipment	236,088	15,106	-	-	251,194
Testing equipment	156,193	25,187	(18,153)	-	163,227
Miscellaneous equipment	126,269	16,959	(4,775)	-	138,453
Total	<u>\$ 2,531,047</u>	<u>\$ 268,678</u>	<u>\$ (90,646)</u>	<u>\$ -</u>	<u>\$ 2,709,079</u>
Construction in progress and equipment awaiting inspection	351,670	242,132	-	(350,906)	242,896
Net	<u>\$ 2,193,741</u>				<u>\$ 2,159,881</u>

(Concluded)

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

(10) Intangible assets

	As of January 1, 2022	Additions	Reclassification	As of December 31, 2022
<u>Cost</u>				
Trademarks	\$ 691	\$ -	\$ -	\$ 691
Patents	18,599	169	-	18,768
Software cost	217,960	-	19,683	237,643
Total	<u>\$ 237,250</u>	<u>\$ 169</u>	<u>\$ 19,683</u>	<u>\$ 257,102</u>

Amortization and impairment

Trademarks	\$ 485	\$ 49	\$ -	\$ 534
Patents	11,348	829	-	12,177
Software cost	134,205	20,408	-	154,613
Total	<u>146,038</u>	<u>\$ 21,286</u>	<u>\$ -</u>	<u>167,324</u>
Net	<u>\$ 91,212</u>			<u>\$ 89,778</u>

	As of January 1, 2021	Additions	Reclassification	As of December 31, 2021
<u>Cost</u>				
Trademarks	\$ 691	\$ -	\$ -	\$ 691
Patents	18,312	287	-	18,599
Software cost	157,947	11,102	48,911	217,960
Total	<u>\$ 176,950</u>	<u>\$ 11,389</u>	<u>\$ 48,911</u>	<u>\$ 237,250</u>

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)  
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	As of January 1, 2021	Additions	Reclassification	As of December 31, 2021
<u>Amortization and impairment</u>				
Trademarks	\$ 436	\$ 49	\$ -	\$ 485
Patents	10,515	833	-	11,348
Software cost	115,532	18,673	-	134,205
Total	126,483	\$ 19,555	\$ -	146,038
Net	\$ 50,467			\$ 91,212
				(Concluded)

(11) Other non-current assets

	December 31, 2022	December 31, 2021
Refundable deposits	\$ 6,474	\$ 7,144

(12) Short-term loans

	December 31, 2022	December 31, 2021
Unsecured bank loans	\$ 190,000	\$ 780,000

The interest rate ranges of loans were 1.22% to 1.47% and 0.68% to 0.77% and the unused short-term credit facilities amounted to NT\$2,440,000 thousand and NT\$1,790,000 thousand as of December 31, 2022 and 2021, respectively.

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

	December 31, 2022	December 31, 2021
Held for trading:		
Derivative financial instruments not designated in a hedging relationship		
- Forward foreign exchange contracts	\$ 4,339	\$ 4,861
Designated as at fair value through profit or loss:		
- Convertible bonds - put option	16,730	5,836
Total	\$ 21,069	\$ 10,697

(14) Bonds payable

	December 31, 2022	December 31, 2021
Overseas unsecured convertible bonds payable	\$ 1,873,400	\$ 1,855,472
Less: Current portion	-	-
Net	\$ 1,873,400	\$ 1,855,472

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Overseas unsecured convertible bonds payable

	December 31, 2022	December 31, 2021
Liability component:		
Overseas unsecured convertible bonds payable - principal amount	\$ 1,945,300	\$ 1,945,300
Overseas unsecured convertible bonds payable - discounts	(71,900)	(89,828)
Subtotal	\$ 1,873,400	\$ 1,855,472
Less: Current portion	-	-
Net	\$ 1,873,400	\$ 1,855,472
Embedded derivative financial instruments	\$ (16,730)	\$ (5,836)
Equity component	\$ 70,203	\$ 70,203

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.

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

Terms of conversion:

- A. Underlying securities: Common stocks of Taiflex
- 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\$53.50 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 December 31, 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.

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(15) Long-term loans

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

Creditor	2022.12.31	Contract Term and Repayment
Export-Import Bank of the Republic of China - credit loan	\$ 75,000	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
Taipei Fubon Bank - credit loan	127,000	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
Subtotal	202,000	
Less: Current portion	(60,583)	
Total	<u>\$ 141,417</u>	

  

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	300,000	2021.10.5 - 2023.10.5, revolving for 2 years after the commencement date with monthly interest payment
Taipei Fubon Bank - credit loan	85,000	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
Subtotal	\$ 648,450	
Less: Current portion	(50,000)	
Less: Unamortized fee	(3,600)	
Total	<u>\$ 594,850</u>	

- A. The interest rate ranges of loans were 1.232% to 1.7586% and 0.7% to 1.5016% as of December 31, 2022 and 2021, respectively.
- B. In July 2020, the Company entered into a syndicated loan agreement with eight financial institutions, including the Bank of Taiwan (bookrunner), for a loan facility of NT\$2.5 billion or the equivalent in U.S. dollars. The contract term was five years from the initial drawdown date, i.e., October 2020 to October 2025 and the credit term of the agreement was mid-term loans - current. During the loan term, the Company was required to calculate and maintain the following financial ratios at an agreed level based on the consolidated financial statements audited by CPAs every six months: current ratio, debt ratio, interest coverage ratio and tangible net value. The Company has abided by those terms.

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(16) Post-employment benefit plans

A. Defined contribution plan

Expenses under the defined contribution plan for the years ended December 31, 2022 and 2021 were NT\$28,740 thousand and NT\$26,562 thousand, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan were as follows:

Financial Statement Account	Years Ended December 31	
	2022	2021
Operating costs	\$ 3,943	\$ 4,273
Sales and marketing expenses	223	329
General and administrative expenses	2,689	2,380
Research and development expenses	1,804	1,804
Total	<u>\$ 8,659</u>	<u>\$ 8,786</u>

C. Accumulated amounts of actuarial gain or loss recognized under other comprehensive income were as follows:

	Years Ended December 31	
	2022	2021
Beginning balance	\$ 136,023	\$ 155,592
Actuarial gain or loss	(55,540)	(19,569)
Ending balance	<u>\$ 80,483</u>	<u>\$ 136,023</u>

D. Reconciliation of defined benefit obligation at present value and plan assets at fair value was as follows:

	Years Ended December 31	
	2022	2021
Present value of defined benefit obligation	\$ 219,323	\$ 267,236
Fair value of plan assets	(40,176)	(18,547)
Funded status	179,147	248,689
Net defined benefit liabilities	<u>\$ 179,147</u>	<u>\$ 248,689</u>

E. Changes in the present value of the defined benefit obligation were as follows:

	Years Ended December 31	
	2022	2021
Balance, beginning of year	\$ 267,236	\$ 290,184
Current service cost	6,943	7,738
Interest cost	1,844	1,161
Actuarial gain or loss	(54,078)	(19,194)
Benefits paid	(2,622)	(12,653)
Balance, end of year	<u>\$ 219,323</u>	<u>\$ 267,236</u>

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- F. Changes in the fair value of the plan assets were as follows:

	Years Ended December 31	
	2022	2021
Balance, beginning of year	\$ 18,547	\$ 28,226
Return on plan assets	128	113
Contributions from employer	22,661	2,486
Actuarial gain or loss	1,462	375
Benefits paid	(2,622)	(12,653)
Balance, end of year	\$ 40,176	\$ 18,547

- G. As of December 31, 2022, the Company expected to make contributions of NT\$8,098 thousand to the defined benefit plan in the following 12 months.
- H. The major categories of plan assets as a percentage of the fair value of total plan assets were as follows:

	Pension Plan (%)	
	December 31, 2022	December 31, 2021
Cash	100%	100%

The Company's actual returns on plan assets were NT\$1,590 thousand and NT\$487 thousand for the years ended December 31, 2022 and 2021, respectively.

The expected rate of return on plan assets is determined based on historical trend and analysts' expectations on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from local banks' two-year time deposits are also taken into consideration in determining the expected rate of return on plan assets.

- I. The principal assumptions used in determining the Company's defined benefit plan were shown below:

	December 31, 2022	December 31, 2021
Discount rate	1.40%	0.69%
Expected rate of return on plan assets	1.40%	0.69%
Expected rate of salary increases	4.50%	5.00%

- J. A 0.5% change in the discount rate would result in the following:

	Years Ended December 31			
	2022		2021	
	0.5% Increase	0.5% Decrease	0.5% Increase	0.5% Decrease
Effect on aggregate of current service cost and interest cost	\$ 566	\$ (726)	\$ 640	\$ (823)
Effect on present value of defined benefit obligation	(16,170)	17,673	(21,283)	23,415

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K. Other information on the defined benefit plan was as follows:

	Years Ended December 31	
	2022	2021
Present value of defined benefit obligation, ending balance	\$ 219,323	\$ 267,236
Fair value of plan assets, ending balance	(40,176)	(18,547)
Surplus/deficit of plan, ending balance	\$ 179,147	\$ 248,689
Experience adjustments on plan liabilities	\$ (14,355)	\$ (5,007)
Experience adjustments on plan assets	\$ (1,462)	\$ (374)

(17) 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 December 31, 2022 and 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 December 31, 2022 and 2021.

B. Capital surplus

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

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

C. Appropriation of profits and dividend policies

Amended Articles of Incorporation resolved in the shareholders' meeting on May 26, 2022

Current year's earnings of the Company, if any, shall be distributed in the following order:

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- (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 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 earnings. Regarding earnings distributed by an issuance of new shares, the proposal shall be approved by the shareholders' meeting, and for earnings distributed in the form of cash, the proposal shall be submitted to the Board of Directors' meeting for resolution.

The Company authorizes the Board of Directors to approve the distribution of dividends and bonuses or the legal reserve and capital surplus stipulated in Paragraph 1, Article 241 of the Company Act, in whole or in part, in the form of cash with the consent of majority of attending directors which represents more than two-third of all directors pursuant to Paragraph 5, Article 240 of the Company Act and report to the shareholders' meeting.

Articles of Incorporation prior to the amendments resolved in the shareholders' meeting on May 26, 2022

Current year's earnings of the Company, 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.

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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 December 31, 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(21) for information on the accrual basis and the amounts recognized for compensation to employees and remuneration to directors.

(18) Operating revenue

	Years Ended December 31	
	2022	2021
Sale of goods	<u>\$ 7,287,918</u>	<u>\$ 7,671,215</u>

Contract balances:

	December 31, 2022	December 31, 2021	December 31, 2020
Contract liabilities - current			
Sale of goods	<u>\$ -</u>	<u>\$ 957</u>	<u>\$ 492</u>

Beginning balance of contract liabilities reclassified to revenue amounted to NT\$957 thousand and NT\$492 thousand for the years ended December 31, 2022 and 2021, respectively.

(19) Expected credit (loss) gain

	Years Ended December 31	
	2022	2021
Operating expenses - expected credit (loss) gain		
Accounts receivable	<u>\$ (2,526)</u>	<u>\$ 3,472</u>

Please refer to Note 12 for information concerning credit risk.

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

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Expected credit loss of receivables:

December 31, 2022

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 2,673,357	\$ 19,233	\$ -	\$ -	\$ 2,692,590
Loss ratio	0%~1%	3%~10%	20%~50%	50%~100%	
Lifetime expected credit losses	9,862	576	-	-	10,438
Subtotal	<u>\$ 2,663,495</u>	<u>\$ 18,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,682,152</u>

December 31, 2021

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 2,818,215	\$ 67,128	\$ -	\$ -	\$ 2,885,343
Loss ratio	0%~1%	3%~10%	20%~50%	50%~100%	
Lifetime expected credit losses	5,437	2,475	-	-	7,912
Subtotal	<u>\$ 2,812,778</u>	<u>\$ 64,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,877,431</u>

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

The movements in the loss allowance for receivables in the years ended December 31, 2022 and 2021 were as follows:

	Receivables
Balance as of January 1, 2022	\$ 7,912
Appropriated in the current period	2,526
Write off	-
Balance as of December 31, 2022	<u>\$ 10,438</u>

	Receivables
Balance as of January 1, 2021	\$ 12,173
Reversed in the current period	(3,472)
Write off	(789)
Balance as of December 31, 2021	<u>\$ 7,912</u>

(20) Leases

A. The Company being a lessee

The Company leases various assets, including property (land and buildings) and transportation equipment. The lease terms of these contracts range between 2 and 50 years.

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

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(a) Amounts recognized in the balance sheets

i. Right-of-use assets

Carrying amount of right-of-use assets

	December 31, 2022	December 31, 2021
Land	\$ 226,571	\$ 233,041
Transportation equipment	14,616	8,920
Total	<u>\$ 241,187</u>	<u>\$ 241,961</u>

The Company's right-of-use assets increased by NT\$12,058 thousand and NT\$3,534 thousand for the years ended December 31, 2022 and 2021, respectively.

ii. Lease liabilities

	December 31, 2022	December 31, 2021
Current	\$ 9,988	\$ 8,896
Non-current	238,548	238,712
Lease liabilities	<u>\$ 248,536</u>	<u>\$ 247,608</u>

Please refer to Note 6(22)D Finance costs for details on interest expenses of lease liabilities for the years ended December 31, 2022 and 2021 and Note 12(5) Liquidity risk management for the maturity analysis on lease liabilities as of December 31, 2022 and 2021.

(b) Amounts recognized in the statements of comprehensive income

Depreciation of right-of-use assets

	Years Ended December 31 2022	2021
Land	\$ 6,117	\$ 6,126
Transportation equipment	6,102	5,902
Total	<u>\$ 12,219</u>	<u>\$ 12,028</u>

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

	Years Ended December 31 2022	2021
Expense of short-term leases	\$ 63,504	\$ 11,242
Expense of leases of low value assets (excluding short-term leases of low value assets)	5,271	5,833

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

The Company's cash outflows from leases amounted to NT\$83,697 thousand and NT\$31,793 thousand for the years ended December 31, 2022 and 2021, respectively.

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(e) Other information associated with leasing activities

Options to extend or terminate the lease

Some of the Company'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 Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease where the Company 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 Company. The Company 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 Company 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.

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

Nature \ Function	Years Ended December 31					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	432,107	335,156	767,263	406,296	287,268	693,564
Labor and health insurance	43,043	22,713	65,756	41,039	20,674	61,713
Pension	22,533	14,866	37,399	21,821	13,527	35,348
Remuneration to directors	-	19,970	19,970	-	20,713	20,713
Other employee benefits expense	48,296	20,976	69,272	49,651	21,494	71,145
Depreciation	247,694	42,923	290,617	238,367	42,339	280,706
Amortization	2,632	18,654	21,286	2,942	16,613	19,555

For the years ended December 31, 2022 and 2021, the Company had 855 and 825 employees, respectively. There were 6 directors who were not employees for both years.

The following information shall be disclosed for entities with stocks traded on the TWSE or the Taipei Exchange:

- A. The average employee benefits expense in 2022 equaled NT\$1,106 thousand, which was calculated as follows: (Sum of employee benefits expense - Sum of remuneration to directors in 2022)/(Number of employees - Number of directors who are not employees in 2022). The average employee benefits expense in 2021 equaled NT\$1,052 thousand, which was calculated as follows: (Sum of employee benefits expense - Sum of remuneration to directors in 2021)/(Number of employees - Number of directors who are not employees in 2021).

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- B. The average employee salaries in 2022 equaled NT\$903 thousand, which was calculated as follows:  $\text{Sum of employee salaries in 2022} / (\text{Number of employees} - \text{Number of directors who are not employees in 2022})$ . The average employee salaries in 2021 equaled NT\$847 thousand, which was calculated as follows:  $\text{Sum of employee salaries in 2021} / (\text{Number of employees} - \text{Number of directors who are not employees in 2021})$ .
- C. The change in average employee salaries equaled 6.67% in 2022, which was calculated as follows:  $(\text{Average employee salaries in 2022} - \text{average employee salaries in 2021}) / \text{Average employee salaries in 2021}$ .
- D. The Company has established the Audit Committee to replace supervisors. Thus, remuneration to supervisors was not recognized.
- E. Remuneration policy
  - (a) Remuneration to directors is determined based on the Articles of Incorporation. The Compensation Committee would evaluate the involvement of directors in the business operation of the Company and their contributions to the Company with reference to the remuneration standard of the industry. The Board of Directors would present the distribution proposal at the shareholders' meeting for shareholders to approve and finalize the amount.
  - (b) Compensation to management and employees is determined based on the salary levels among peers, job scopes and degree of contributions by individuals to the Company's operation target. It also takes into account the Company's overall performance and individual's performance and contribution.

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

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

Information on 2022 compensation to employees and remuneration to directors resolved in the Board of Directors' meeting on January 11, 2023 and 2021 compensation to employees and remuneration to directors reported in the shareholders' meeting on May 26, 2022 was as follows:

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	Years Ended December 31	
	2022	2021
Compensation to employees	\$ 71,668	\$ 74,523
Remuneration to directors	19,597	20,378

The difference between 2022 compensation to employees and remuneration to directors resolved in the Board of Directors' meeting in 2023 and the amount accrued was recognized in the profit or loss of the following year.

The 2021 compensation to employees and remuneration to directors reported in the shareholders' meeting were not significantly different from the amounts resolved in the Board of Directors' meeting on January 19, 2022 and the amounts recognized as expenses in the financial statements.

(22) Non-operating income and expenses

A. Interest income

	Years Ended December 31	
	2022	2021
Interest income	\$ 7,734	\$ 1,474

B. Other income

	Years Ended December 31	
	2022	2021
Other income	\$ 39,306	\$ 31,766

C. Other gains and losses

	Years Ended December 31	
	2022	2021
Gain (loss) on disposal of property, plant and equipment	\$ 80	\$ (7,348)
Foreign exchange gain (loss), net	261,467	(3,324)
Loss on financial assets (liabilities) at fair value through profit or loss, net	(69,775)	(12,631)
Gain on disposal of investments accounted for using the equity method	39,846	1,612
Other losses	(1,333)	(890)
Total	\$ 230,285	\$ (22,581)

D. Finance costs

	Years Ended December 31	
	2022	2021
Interest on bank borrowings	\$ (7,948)	\$ (11,560)
Interest on lease liabilities	(4,408)	(4,470)
Interest on bonds payable	(17,928)	(1,486)
Total	\$ (30,284)	\$ (17,516)

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E. Components of other comprehensive income

For the year ended December 31, 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:					
Remeasurement of defined benefit plan	\$ 55,540	\$ -	\$ 55,540	\$ (11,108)	\$ 44,432
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(116,948)	-	(116,948)	-	(116,948)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	53,477	-	53,477	(10,695)	42,782
Total	<u>\$ (7,931)</u>	<u>\$ -</u>	<u>\$ (7,931)</u>	<u>\$ (21,803)</u>	<u>\$ (29,734)</u>

For the year ended December 31, 2021

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	\$ 19,569	\$ -	\$ 19,569	\$ (3,914)	\$ 15,655
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(15,622)	-	(15,622)	-	(15,622)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	17,406	-	17,406	(3,481)	13,925
Total	<u>\$ 21,353</u>	<u>\$ -</u>	<u>\$ 21,353</u>	<u>\$ (7,395)</u>	<u>\$ 13,958</u>

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(23) Income tax

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

Income tax recognized in profit or loss

	Years Ended December 31	
	2022	2021
Current income tax expense (benefit):		
Current income tax payable	\$ 175,980	\$ 155,452
Income tax adjustments on prior years	(2,000)	(10,687)
Deferred income tax expense (benefit):		
Deferred income tax (benefit) expense relating to origination and reversal of temporary differences	(6,428)	23,312
Income tax expense	<u>\$ 167,552</u>	<u>\$ 168,077</u>

Income tax recognized in other comprehensive income

	Years Ended December 31	
	2022	2021
Deferred income tax benefit:		
Remeasurement of defined benefit plan	\$ 11,108	\$ 3,914
Exchange differences arising on translation of foreign operations	10,695	3,481
Income tax relating to components of other comprehensive income	<u>\$ 21,803</u>	<u>\$ 7,395</u>

B. The reconciliation of income tax expense and income tax based on pre-tax net income at the statutory tax rate was as follows:

	Years Ended December 31	
	2022	2021
Income before tax from continuing operations	<u>\$ 868,712</u>	<u>\$ 902,731</u>
Income tax expense at the statutory rate of the Company	\$ 173,742	\$ 180,546
Income tax adjustments on prior years	(2,000)	(10,687)
Tax effects of other tax adjustments	(4,190)	(1,782)
Income tax expense recognized in profit or loss	<u>\$ 167,552</u>	<u>\$ 168,077</u>

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C. Balance of deferred income tax assets (liabilities):

For the year ended December 31, 2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Ending balance
Temporary differences					
Foreign exchange gain (loss)	\$ 14,894	\$ (19,846)	\$ -	\$ -	\$ (4,952)
Allowance for inventory valuation and obsolescence loss	18,834	14,510	-	-	33,344
Gain (loss) on investments accounted for using the equity method	(76,412)	6,036	(10,695)	-	(81,071)
Unrealized intra-group profits and losses	5,314	(854)	-	-	4,460
Impairment of assets	1,320	-	-	-	1,320
Net defined benefit liabilities	49,738	(2,801)	(11,108)	-	35,829
Others	1,450	10,069	-	-	11,519
Deferred income tax benefit (expense)		<u>\$ 7,114</u>	<u>\$ (21,803)</u>	<u>\$ -</u>	
Net deferred income tax assets (liabilities)	<u>\$ 15,138</u>				<u>\$ 449</u>
Reflected in balance sheets as follows:					
Deferred income tax assets	<u>\$ 126,798</u>				<u>\$ 108,464</u>
Deferred income tax liabilities	<u>\$ (111,660)</u>				<u>\$ (108,015)</u>

For the year ended December 31, 2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Ending balance
Temporary differences					
Foreign exchange gain (loss)	\$ 16,891	\$ (1,997)	\$ -	\$ -	\$ 14,894
Allowance for inventory valuation and obsolescence loss	13,290	5,544	-	-	18,834
Gain (loss) on investments accounted for using the equity method	(52,908)	(20,023)	(3,481)	-	(76,412)
Unrealized intra-group profits and losses	6,852	(1,538)	-	-	5,314
Impairment of assets	6,120	(4,800)	-	-	1,320
Net defined benefit liabilities	52,391	1,261	(3,914)	-	49,738
Others	(1,092)	2,542	-	-	1,450
Deferred income tax benefit (expense)		<u>\$ (19,011)</u>	<u>\$ (7,395)</u>	<u>\$ -</u>	
Net deferred income tax assets (liabilities)	<u>\$ 41,544</u>				<u>\$ 15,138</u>
Reflected in balance sheets as follows:					
Deferred income tax assets	<u>\$ 131,151</u>				<u>\$ 126,798</u>
Deferred income tax liabilities	<u>\$ (89,607)</u>				<u>\$ (111,660)</u>

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D. Unrecognized deferred income tax assets:

As of December 31, 2022 and 2021, the Company did not have any unrecognized deferred income tax assets.

E. The assessment of income tax returns:

As of December 31, 2022, the Company's income tax return was assessed and approved up to 2019.

(24) Earnings per share (EPS)

	Year Ended December 31, 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	\$ 700,483	209,120	<u>\$ 3.35</u>
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	14,342	38,460	
Employee compensation - stock	-	1,740	
Net income attributable to common shareholders of the Company and effect of potential common stocks	<u>\$ 714,825</u>	<u>249,320</u>	<u>\$ 2.87</u>
	Year Ended December 31, 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	\$ 734,654	209,120	<u>\$ 3.51</u>
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	1,189	36,361	
Employee compensation - stock	-	1,569	
Net income attributable to common shareholders of the Company and effect of potential common stocks	<u>\$ 735,843</u>	<u>247,050</u>	<u>\$ 2.98</u>

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7. Related Party Transactions

(1) Names and relationships

Name	Relationship
Taistar Co., Ltd.	100% owned subsidiary
Leadmax Limited (Leadmax)	100% owned subsidiary
TSC International Ltd. (TSC)	100% owned second-tier subsidiary
Kunshan Taiflex Electronic Co., Ltd.	100% owned third-tier subsidiary
TFS Co., Ltd.	100% owned subsidiary
Richstar Co., Ltd.	100% owned second-tier subsidiary
Shenzhen Taiflex Electronic Co., Ltd.	100% owned third-tier subsidiary
Geckos Technology Corp. (Geckos) (Note 1)	Investee under the equity method
Koatech Technology Corporation	52.97% owned subsidiary
Taiflex Scientific Japan Co., Ltd.	100% owned subsidiary
Taiflex USA Corporation	100% owned subsidiary
Rudong Fuzhan Scientific Co., Ltd.	100% owned third-tier subsidiary
Taichem Materials Co., Ltd.	100% owned subsidiary
Taiflex Green Power Co., Ltd. (Note 2)	100% owned subsidiary
Innatech Co., Ltd. (Innatech)	A substantive related party
SINYA Network System Integration Co., Ltd. (SINYA Network)	A substantive related party
SINYA Digital Co., Ltd. (SINYA Digital)	A substantive related party
Taiflex Scientific (Thailand) Co., Ltd. (Note 3)	100% owned subsidiary

Note 1: Geckos was no longer an associate of the Group as the Group lost significant influence over the company since June 2022.

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

Note 3: The Company established Taiflex Scientific (Thailand) Co., Ltd. in Thailand and acquired 100% of the company in May 2022.

(2) Significant transactions with related parties

A. Sales

	Years Ended December 31	
	2022	2021
Subsidiaries		
Shenzhen Taiflex Electronic Co., Ltd.	\$ 777,241	\$ 1,373,948
Kunshan Taiflex Electronic Co., Ltd.	350,741	528,751
Rudong Fuzhan Scientific Co., Ltd.	74,884	81,770
Others	32,037	3,145
Total	<u>\$ 1,234,903</u>	<u>\$ 1,987,614</u>

The sales prices of related party transactions were determined through negotiation based on market prices. The outstanding balances as of December 31, 2022 and 2021 were unsecured and non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

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B. Purchases

	Years Ended December 31	
	2022	2021
Subsidiaries		
Taichem Materials Co., Ltd.	\$ 184,602	\$ 2,030
Rudong Fuzhan Scientific Co., Ltd.	24,363	32,184
Kunshan Taiflex Electronic Co., Ltd.	11,026	9,648
Shenzhen Taiflex Electronic Co., Ltd.	838	2,572
Others	-	69
Total	<u>\$ 220,829</u>	<u>\$ 46,503</u>

The purchase prices of related party transactions were determined through negotiation based on market prices. The payment terms of related party transactions were comparable with ones of non-related party transactions.

C. Property transactions

Acquisition of property, plant and equipment

	Years Ended December 31	
	2022	2021
Innatech	\$ 1,358	\$ 2,654
SINYA Network	-	1,250
Rudong Fuzhan Scientific Co., Ltd.	1,429	-
Total	<u>\$ 2,787</u>	<u>\$ 3,904</u>

Acquisition of intangible assets

	Years Ended December 31	
	2022	2021
Innatech	<u>\$ 1,361</u>	<u>\$ 52,318</u>

Proceeds from sale of property, plant and equipment

	Years Ended December 31	
	2022	2021
Rudong Fuzhan Scientific Co., Ltd.	<u>\$ 2,002</u>	<u>\$ 2,400</u>

Gain on sale of property, plant and equipment

	Years Ended December 31	
	2022	2021
Rudong Fuzhan Scientific Co., Ltd.	<u>\$ 55</u>	<u>\$ -</u>

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D. Accounts receivable - related parties

	December 31, 2022	December 31, 2021
Subsidiaries		
Shenzhen Taiflex Electronic Co., Ltd.	\$ 462,519	\$ 956,593
Kunshan Taiflex Electronic Co., Ltd.	83,817	310,223
Rudong Fuzhan Scientific Co., Ltd.	61,341	67,524
Others	1,076	149
Total	<u>\$ 608,753</u>	<u>\$ 1,334,489</u>

E. Other receivables - related parties

Non-financing

	December 31, 2022	December 31, 2021
Subsidiaries		
Rudong Fuzhan Scientific Co., Ltd.	\$ 15,069	\$ 52,180
Taichem Materials Co., Ltd.	57,913	-
Others	36	645
Associates		
Geckos	-	123
Total	<u>\$ 73,018</u>	<u>\$ 52,948</u>

F. Prepayments

	December 31, 2022	December 31, 2021
Innatech	\$ 150	\$ 196
SINYA Network	90	244
Total	<u>\$ 240</u>	<u>\$ 440</u>

G. Accounts payable - related parties

	December 31, 2022	December 31, 2021
Subsidiaries		
Taichem Materials Co., Ltd.	\$ 37,275	\$ 8,339
Rudong Fuzhan Scientific Co., Ltd.	13,816	23,445
Kunshan Taiflex Electronic Co., Ltd.	6,836	-
Shenzhen Taiflex Electronic Co., Ltd.	418	2,103
Total	<u>\$ 58,345</u>	<u>\$ 33,887</u>

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H. Other payables - related parties

	December 31, 2022	December 31, 2021
Substantive related parties		
Innatech	\$ 2,877	\$ 1,359
Others	941	2,062
Subsidiaries		
Taichem Materials Co., Ltd.	-	8,735
Taiflex USA Corporation	6,555	5,315
Taiflex Scientific Japan Co., Ltd.	5,068	5,017
Others	385	3,635
Total	<u>\$ 15,826</u>	<u>\$ 26,123</u>

I. Others

Rental income

	Years Ended December 31 2022	2021
Geckos	\$ 1,250	\$ 1,800
Taichem Materials Co., Ltd.	1,200	360
Taiflex Green Power Co., Ltd.	188	-
Total	<u>\$ 2,638</u>	<u>\$ 2,160</u>

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

Operating expenses

	Years Ended December 31 2022	2021
SINYA Network	\$ 183	\$ 5,004
Innatech	2,984	1,750
SINYA Digital	825	35
Total	<u>\$ 3,992</u>	<u>\$ 6,789</u>

J. Compensation to key management

	Years Ended December 31 2022	2021
Short-term employee benefits	\$ 64,775	\$ 49,861
Post-employment benefits	496	216
Total	<u>\$ 65,271</u>	<u>\$ 50,077</u>

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8. Pledged Assets

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

	Carrying Amount		Purpose of Pledge
	December 31, 2022	December 31, 2021	
Time deposits (Note)	\$ 20,084	\$ 20,111	Customs guarantee
Buildings	36,785	38,182	Letter of credit and short-term credit facilities
Total	<u>\$ 56,869</u>	<u>\$ 58,293</u>	

Note: These were recognized as other current assets.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Details of the Company's unused letters of credit as of December 31, 2022 were as follows:

	L / C Balance	
USD	US\$	2,918 thousand
JPY	JPY	575,700 thousand

(2) Guaranteed notes issued by the Company amounted to NT\$24,000 thousand as of December 31, 2022. They were issued as performance guarantees and would be recovered for cancellation upon termination of the guarantee obligation.

10. Significant Disaster Loss

None.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss:		
Mandatorily at fair value through profit or loss	\$ 26,925	\$ 27,529
Financial assets at fair value through other comprehensive income	255,689	372,637
Financial assets at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	1,220,351	2,474,850
Financial assets at amortized cost	30,743	276,900
Receivables	2,782,851	2,967,708
Other financial assets - current	20,084	20,111

(Continued)

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Financial liabilities

	December 31, 2022	December 31, 2021
Financial liabilities at fair value through profit or loss:		
Held for trading	\$ 21,069	\$ 10,697
Financial liabilities at amortized cost:		
Short-term loans	190,000	780,000
Payables	1,239,549	1,658,636
Bonds payable (including current portion)	1,873,400	1,855,472
Long-term loans (including current portion)	202,000	644,850
Lease liabilities (current and non-current)	248,536	247,608
		(Concluded)

(2) Objectives of financial risk management

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

The Company 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 and the Audit Committee must be carried out based on related protocols and internal control procedures. The Company 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 Company's exposure to foreign currency risk relates primarily to its operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and net investments in foreign operations.

The Company has certain receivables denominated in the same foreign currency as certain payables; therefore, natural hedge is achieved. The Company 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 Company.

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The foreign currency sensitivity analysis focusing on the impact of foreign exchange rate fluctuations on the Company'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 Company'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 Company's exposure to interest rate risk relates primarily to its variable interest rates for loans.

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

C. Equity price risk

Equity securities of listed domestic companies held by the Company are susceptible to price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Company'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 mandatorily at fair value through profit or loss could cause the profit or loss for the years ended December 31, 2022 and 2021 to increase/decrease by NT\$1,337 thousand and NT\$1,279 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 years ended December 31, 2022 and 2021 to increase/decrease by NT\$12,784 thousand and NT\$18,632 thousand, respectively.

D. Pre-tax sensitivity analysis was as follows:

For the year ended December 31, 2022

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$21,282 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ NT\$ 6,235 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- NT\$ 859 thousand

For the year ended December 31, 2021

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$35,001 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ NT\$13,236 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- NT\$ 1,327 thousand

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(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 Company 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 Company'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 Company's internal rating criteria, etc. The Company also uses some credit enhancement tools, such as prepayments or insurances, to reduce the credit risk of certain counterparties.

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

(5) Liquidity risk management

The Company 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 Company'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>December 31, 2022</u>					
Borrowings	\$ 243,102	\$ 112,474	\$ 42,570	\$ -	\$ 398,146
Payables	1,239,549	-	-	-	1,239,549
Convertible bonds	-	1,945,300	-	-	1,945,300
Lease liabilities	14,283	24,524	19,387	279,581	337,775
<u>December 31, 2021</u>					
Borrowings	\$ 836,535	\$ 417,956	\$ 186,415	\$ -	\$ 1,440,906
Payables	1,658,636	-	-	-	1,658,636
Convertible bonds	-	-	1,945,300	-	1,945,300
Lease liabilities	13,230	20,770	18,517	288,445	340,962

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Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>December 31, 2022</u>					
Inflows	\$ 644,230	\$ -	\$ -	\$ -	\$ 644,230
Outflows	651,612	-	-	-	651,612
Net	<u>\$ (7,382)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,382)</u>
<u>December 31, 2021</u>					
Inflows	\$ 1,032,526	\$ -	\$ -	\$ -	\$ 1,032,526
Outflows	1,039,815	-	-	-	1,039,815
Net	<u>\$ (7,289)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,289)</u>

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2022:

	Short-term Loans	Long-term Loans	Lease Liabilities	Bonds Payable	Total Liabilities from Financing Activities
As of January 1, 2022	\$ 780,000	\$ 644,850	\$ 247,608	\$ 1,855,472	\$ 3,527,930
Cash flows	(590,000)	(442,850)	(14,922)	-	(1,047,772)
Non-cash movements	-	-	15,850	17,928	33,778
As of December 31, 2022	<u>\$ 190,000</u>	<u>\$ 202,000</u>	<u>\$ 248,536</u>	<u>\$ 1,873,400</u>	<u>\$ 2,513,936</u>

Reconciliation of liabilities for the year ended December 31, 2021:

	Short-term Loans	Long-term Loans	Lease Liabilities	Bonds Payable	Total Liabilities from Financing Activities
As of January 1, 2021	\$ 150,000	\$ 440,630	\$ 255,038	\$ -	\$ 845,668
Cash flows	630,000	204,220	(14,718)	1,945,300	2,764,802
Non-cash movements	-	-	7,288	(89,828)	(82,540)
As of December 31, 2021	<u>\$ 780,000</u>	<u>\$ 644,850</u>	<u>\$ 247,608</u>	<u>\$ 1,855,472</u>	<u>\$ 3,527,930</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 Company 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.

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- (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).
- (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 market price, 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 Company'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

Forward foreign exchange contracts

As of December 31, 2022 and 2021, the Company'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>December 31, 2022</u>		
Sell RMB/Buy NTD	2022.08~2023.04	RMB 78,000/NT\$ 340,076
Sell USD/Buy NTD	2022.12~2023.03	US\$ 10,000/NT\$ 304,154
<u>December 31, 2021</u>		
Sell RMB/Buy NTD	2021.09~2022.05	RMB150,000/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

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

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Embedded derivative instruments

Embedded derivative instruments identified from convertible bonds were separated from the host contract and measured at fair value through profit or loss. Please refer to Note 6(14) for details on the relevant contract.

(9) Fair value hierarchy

A. Definition of fair value hierarchy

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

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

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

Level 3 inputs are unobservable inputs for the asset or liability

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

B. Hierarchy of fair value measurement

The Company 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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2022</u>				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 189	\$ -	\$ 189
Stocks	26,736	-	-	26,736
Financial assets at fair value through other comprehensive income	255,689	-	-	255,689
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	4,339	-	4,339
Embedded derivative instruments	-	-	16,730	16,730

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2021</u>				
Financial assets:				
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
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	4,861	-	4,861
Embedded derivative instruments	-	-	5,836	5,836

For the years ended December 31, 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:

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 84,947	30.743	\$ 2,611,515	\$ 161,877	27.690	\$ 4,482,371
RMB	146,542	4.4126	646,630	311,508	4.3477	1,354,341
JPY	137,203	0.2326	31,914	53,160	0.2405	12,785
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 15,715	30.743	\$ 483,112	\$ 35,475	27.690	\$ 982,309
JPY	123,972	0.2326	28,836	151,181	0.2405	36,359
RMB	5,148	4.4126	22,716	7,232	4.3477	31,443

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

As the Company transact in various currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. For the years ended December 31, 2022 and 2021, the Company's foreign exchange gain (loss) amounted to NT\$261,467 thousand and NT\$(3,324) thousand, respectively.

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(11) Capital management

The primary objective of the Company'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 Company manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Company 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 Company'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 Company 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 December 31, 2022: None.

Factor	December 31, 2021		Interest Rate Range	Credit Line
	Amount Transferred	Amount Advanced		
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

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 December 31, 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 year ended December 31, 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 year ended December 31, 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 year ended December 31, 2022: None.

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- G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 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 December 31, 2022: Please refer to Table 5.
  - I. Direct or indirect significant influence or control over the investees for the year ended December 31, 2022 (excluding investments in mainland China): Please refer to Table 6.
  - J. Derivative financial instrument transactions: Please refer to Note 12.
  - K. Others: intercompany relationships and significant intercompany transactions for the year ended December 31, 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.

TABLE 1: FINANCING PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financing Company	Borrower	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	\$ 257,880	\$ 245,944	\$ -	1.70%~4.00%	2	-	Operating capital	-	-	-	\$ 1,581,606	\$ 3,163,213	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	161,175	153,715	-	1.70%~4.00%	2	-	Operating capital	-	-	-	1,581,606	3,163,213	(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	-	-	-	1,581,606	3,163,213	(Note 7)
1	Kunshan Taiflex Electronic Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	90,236	88,252	-	2.00%~4.00%	2	-	Operating capital	-	-	-	805,689	805,689	(Note 9)
1	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	631,652	617,764	529,512	2.00%~4.00%	2	-	Operating capital	-	-	-	805,689	805,689	(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 year ended December 31, 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 transaction amount shall be disclosed. The transaction amount 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 borrower 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	\$ 3,954,016	\$ 547,995	\$ 522,631	\$ 1,379	\$ -	6.61%	\$ 3,954,016	Y	N	Y
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	2	3,954,016	131,241	-	-	-	0.00%		Y	N	Y
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Thailand) Co., Ltd.	2	3,954,016	483,525	461,145	-	-	5.83%		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 year ended December 31, 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 DECEMBER 31, 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	December 31, 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	255,689	6.90%	255,689	-
	Listed stocks	Zhen Ding Technology Holding Limited	-	Financial assets at fair value through profit or loss - current	255	26,736	0.03%	26,736	-

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	\$ 777,241	10.66%	Monthly settlement with payment in 180 days	-	-	\$ 462,519	17.18%	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	350,741	4.81%	Monthly settlement with payment in 180 days	-	-	83,817	3.11%	-
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Holds 100% of the subsidiary	Purchases	184,602	4.04%	Monthly settlement with payment in 180 days	-	-	(37,275)	(5.27%)	-
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	777,241	46.01%	Monthly settlement with payment in 180 days	-	-	(462,528)	(51.82%)	-
Kunshan Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	350,741	64.89%	Monthly settlement with payment in 180 days	-	-	(83,817)	(42.30%)	-
Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Sales	184,602	89.59%	Monthly settlement with payment in 180 days	-	-	14,781	76.09%	-

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	\$ 462,519	1.10	-	-	\$ 243,705	-	-

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 December 31, 2022			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				December 31, 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%	\$ 820,617	\$ (6,877)	\$ (6,877)	-
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	651	2	2	-
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	320,761	320,761	16,124	52.97%	246,458	(18,648)	(9,877)	-
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	93,309	98,101	3,602	13.67%	27,508	863	138	-
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	507,363	(8,328)	(12,771)	(Note 2)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	1,316,239	1,316,239	44,000	73.94%	1,504,884	(31,953)	(23,625)	-
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	15,519	210	210	-
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	8,820	1	100.00%	10,303	359	359	-
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor materials	246,000	246,000	17,000	100.00%	231,455	(102)	(41)	(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%	50,608	680	682	(Note 1)
Taiflex Scientific Co., Ltd.	Taiflex Scientific (Thailand) Co., Ltd.	Thailand	Manufacturing and selling of electronic materials	425,846	-	49,671	100.00%	432,220	(889)	(889)	-
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	26.06%	530,472	(31,953)	(8,328)	-
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	805,760	8,520	8,520	-
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	113,517	28,649	3,960	100.00%	105,720	1,427	1,427	-
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	113,368	28,500	3,955	100.00%	105,163	1,427	1,427	-

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 December 31, 2022	Profit/Loss of Investee	Ownership Percentage (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2022	Accumulated Inward Remittances of Earnings as of December 31, 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	\$ 8,520	100.00%	\$ 8,520	\$ 805,689	\$ 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	(67,047)	100.00%	(67,047)	1,300,822	-
	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	35,094	100.00%	35,094	734,468	-
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	1,427	52.97%	1,427	105,150	-
Accumulated Outflows of Investment from Taiwan to Mainland China as of December 31, 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					\$183,768			

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\$306,280 thousand  $\times$  60% = NT\$183,768 thousand

TABLE 8: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 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	\$ 777,241	General trading terms	8.91%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	462,519	General trading terms	3.60%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Sales revenue	350,741	General trading terms	4.02%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Accounts receivable	83,817	General trading terms	0.65%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Sales revenue	74,884	General trading terms	0.58%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Accounts receivable	61,341	General trading terms	0.48%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Sales revenue	30,864	General trading terms	0.24%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Other receivables	57,913	General trading terms	0.45%
3	Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	2	Sales revenue	158,842	General trading terms	1.24%
3	Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	2	Other receivables	22,494	General trading terms	0.18%
3	Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	2	Purchase on other's behalf	25,760	General trading terms	0.20%

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

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

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

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

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

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

Note 4: This is the ending balance after evaluation.

TABLE 9: INFORMATION ON MAJOR SHAREHOLDERS

(In Shares)

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

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.

TAIFLEX SCIENTIFIC COMPANY LIMITED  
1. STATEMENT OF CASH AND CASH EQUIVALENTS  
December 31, 2022

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Petty cash		\$ 150	
Cash on hand		183	
Subtotal		333	
Bank deposits:			
Checking & demand deposits in NTD		325,083	Exchange rate:
Demand deposits - USD	US\$ 10,275 thousand	315,899	30.7430
Demand deposits - JPY	JPY 137,103 thousand	31,890	0.2326
Demand deposits - HKD	HK\$ 7 thousand	26	3.9420
Demand deposits - RMB	RMB 9,960 thousand	43,950	4.4126
Demand deposits - EUR	EUR 10 thousand	316	32.742
Time deposits - NTD		149,800	
Time deposits - USD	US\$ 5,000 thousand	153,715	
Subtotal		1,020,679	
Repurchased agreements		199,672	Tenor: 2022/12/22~2023/1/11 Interest rate: 0.95%~0.97%
Total		\$ 1,220,684	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
2. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE  
THROUGH PROFIT OR LOSS - CURRENT  
December 31, 2022

In Thousands of New Taiwan Dollars

Name	Description	Number of Stocks	Fair Value		Note
			Unit Price	Total	
Listed stocks	Zhen Ding Technology Holding Limited	255 thousand	105.00	\$ 26,736	
Forward foreign exchange contract	Notional amount of RMB18,000 thousand/ NT\$79,321 thousand			189	
				\$ 26,925	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
3. STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST - CURRENT  
December 31, 2022

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Time deposits in USD	US\$1,000 thousand	\$ 30,743	Exchange rate:30.7430

TAIFLEX SCIENTIFIC COMPANY LIMITED  
4. STATEMENT OF NOTES RECEIVABLE, NET  
December 31, 2022

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Company A		\$ 281	
Company B		38	
Company C		23	
Others (Note)		17	
Total		359	
Less: Loss allowance		–	
Net		<u>\$ 359</u>	

Note: Customers with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED  
5. STATEMENT OF ACCOUNTS RECEIVABLE, NET  
December 31, 2022

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Company E		\$ 480,628	
Company F		394,934	
Company G		292,807	
Company H		133,513	
Company I		127,761	
Company J		109,214	
Others (Note)		544,621	
Total		2,083,478	
Less: Loss allowance		(10,438)	
Net		<u>\$ 2,073,040</u>	

Note: Customers with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED  
6. STATEMENT OF ACCOUNTS RECEIVABLE - RELATED PARTIES  
December 31, 2022

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Shenzhen Taiflex Electronic Co., Ltd.		\$ 462,519	
Kunshan Taiflex Electronic Co., Ltd.		83,817	
Rudong Fuzhan Scientific Co., Ltd.		61,341	
Others		1,076	
Total		608,753	
Less: Loss allowance		-	
Net		<u>\$ 608,753</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
7. STATEMENT OF OTHER RECEIVABLES  
December 31, 2022

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Income tax refund receivable	Business tax refund receivable	\$ 25,908	
Other receivables	Receivables from supplementary orders and utility fees	279	
Earned revenue receivable	Estimated interest income from time deposits	1,494	
Total		<u>\$ 27,681</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
8. STATEMENT OF OTHER RECEIVABLES - RELATED PARTIES  
December 31, 2022

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Taichem Materials Co., Ltd	Mainly items purchased on behalf of others	\$ 57,913	
Rudong Fuzhan Scientific Co., Ltd.	Items purchased on behalf of others	15,069	
Others		36	
Total		<u>\$ 73,018</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
9. STATEMENT OF INVENTORIES  
December 31, 2022

In Thousands of New Taiwan Dollars

Item	Cost	Net Realizable Value	Note
Raw materials	\$ 791,893	\$ 844,792	
Inventories in transit	3,571	3,571	
Supplies	8,535	10,702	
Work in progress	14,382	19,151	
Finished goods	443,540	524,411	
Merchandise	5,568	10,462	
Total	<u>\$ 1,267,489</u>		

TAIFLEX SCIENTIFIC COMPANY LIMITED

10. STATEMENT OF PREPAYMENTS

December 31, 2022

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Prepaid expenses		\$ 10,483	
Prepayment for purchases		1,788	
Overpaid sales tax		1,129	
Others (Note)		713	
Total		<u>\$ 14,113</u>	

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED

11. STATEMENT OF OTHER CURRENT ASSETS

December 31, 2022

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Other financial assets		\$ 20,084	
Others (Note)		999	
Total		<u>\$ 21,083</u>	

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED

12. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH  
OTHER COMPREHENSIVE INCOME - NON-CURRENT

December 31, 2022

In Thousands of New Taiwan Dollars

Name	Description	Number of Stocks	Fair Value		Note
			Unit Price	Total	
Listed stocks	APAQ Technology Co., Ltd.	6,139 thousand	41.65	<u>\$ 255,689</u>	

**TAIFLEX SCIENTIFIC COMPANY LIMITED**  
**13. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**  
**For the Year Ended December 31, 2022**

In Thousands of New Taiwan Dollars

Investee	Beginning Balance		Increase		Decrease		Share of Profits/Losses of Investee	Exchange Differences Arising on Translation of Foreign Operations	Ending Balance			Market Value or Net Equity Value	Valuation Basis	Collateral/ Pledge	Note
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Ownership Percentage	Amount				
Taistar Co., Ltd.	21,825,000	\$ 815,530	-	\$ -	-	\$ (2,880)	\$ (6,877)	\$ 14,844	21,825,000	100.00%	\$ 820,617	\$ 820,617	Equity method	None	(Note 1)
Leadmax Limited	10,000	585	-	-	-	-	2	65	10,000	100.00%	651	651	Equity method	None	
Innovision FlexTech Corp.	3,786,794	28,793	-	-	(185,000)	(1,424)	138	-	3,601,794	13.67%	27,508	36,018	Equity method	None	(Note 2)
Koatech Technology Corp.	13,700,126	234,040	2,423,561	26,659	-	(4,690)	(9,877)	326	16,123,687	52.97%	246,458	246,458	Equity method	None	(Note 3)
TFS Co., Ltd.	15,520,000	505,886	-	6,295	-	-	(12,771)	7,953	15,520,000	100.00%	507,363	507,363	Equity method	None	(Note 4)
Richstar Co., Ltd.	35,000,000	1,505,966	-	-	-	-	(23,625)	22,543	35,000,000	73.94%	1,504,884	1,504,884	Equity method	None	
Taiflex Scientific Japan Co., Ltd.	6,000	15,824	-	-	-	-	210	(515)	6,000	100.00%	15,519	15,519	Equity method	None	
Taiflex USA Corporation	1,000	8,946	-	-	-	-	359	998	1,000	100.00%	10,303	10,303	Equity method	None	
Geckos Technology Corp.	2,524,789	12,253	-	-	(2,524,789)	(10,511)	(1,742)	-	-	0.00%	-	-	Equity method	None	(Note 5)
Taichem Materials Co., Ltd.	17,000,000	231,496	-	-	-	-	(41)	-	17,000,000	100.00%	231,455	231,455	Equity method	None	
Taiflex Green Power Co., Ltd.	2,000,000	19,926	3,000,000	30,000	-	-	682	-	5,000,000	100.00%	50,608	50,608	Equity method	None	(Note 6)
Taiflex Scientific (Thailand) Co., Ltd.	-	-	49,671,000	425,846	-	-	(889)	7,263	49,671,000	100.00%	432,220	432,220	Equity method	None	(Note 7)
Subtotal		\$ 3,379,245		\$ 488,800		\$ (19,505)	\$ (54,431)	\$ 53,477			\$ 3,847,586				
Less: Accumulated impairment		-		-		-	-	-			-				
Net		\$ 3,379,245		\$ 488,800		\$ (19,505)	\$ (54,431)	\$ 53,477			\$ 3,847,586				

Note 1: The decrease was a result of downstream transactions between subsidiaries of NT\$2,880 thousand.

Note 2: The decrease was a result of disposal of subsidiaries' shares of NT\$1,431 thousand and adjustment for non-proportional share subscription of NT\$7 thousand.

Note 3: The increase was a result of an increase in investment of NT\$26,659 thousand and the decrease was a result of earnings distribution of NT\$4,676 thousand and adjustments for non-proportional share subscription of NT\$14 thousand.

Note 4: The increase was a result of downstream transactions between subsidiaries of NT\$6,295 thousand.

Note 5: The decrease was a result of disposal of subsidiaries' shares of NT\$5,145 thousand and adjustment for non-proportional share subscription of NT\$5,366 thousand.

Note 6: The increase was a result of an increase in investment of NT\$30,000 thousand.

Note 7: The increase was a result of an increase in investment of NT\$425,846 thousand.

TAIFLEX SCIENTIFIC COMPANY LIMITED  
14. STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT  
For the Year Ended December 31, 2022

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes			Ending Balance	Collateral/ Pledge
		Additions	Disposals	Reclassification		
Original cost						
Buildings	\$ 1,088,270	\$ 2,938	\$ -	\$ -	\$ 1,091,208	A part of property, plant and equipment, such as buildings, is pledged as collateral.
Machinery and equipment	2,632,097	220,606	(12,582)	-	2,840,121	
Hydropower equipment	398,353	5,220	(680)	-	402,893	
Testing equipment	295,289	8,814	(265)	-	303,838	
Miscellaneous equipment	212,055	4,881	(7,024)	-	209,912	
Subtotal	4,626,064	242,459	(20,551)	-	4,847,972	
Construction in progress and equipment awaiting inspection	242,896	232,951	-	(20,385)	455,462	
Total cost	<u>\$ 4,868,960</u>	<u>\$ 475,410</u>	<u>\$ (20,551)</u>	<u>\$ (20,385)</u>	<u>\$ 5,303,434</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
15. STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF  
PROPERTY, PLANT AND EQUIPMENT  
For the Year Ended December 31, 2022

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes			Ending Balance	Note
		Increase	Decrease	Reclassification		
Buildings	\$ 344,880	\$ 48,213	\$ -	\$ -	\$ 393,093	
Machinery and equipment	1,811,325	171,714	(10,735)	-	1,972,304	
Hydropower equipment	251,194	16,370	(680)	-	266,884	
Testing equipment	163,227	24,622	(265)	-	187,584	
Miscellaneous equipment	138,453	17,479	(7,024)	-	148,908	
Total accumulated depreciation	<u>\$ 2,709,079</u>	<u>\$ 278,398</u>	<u>\$ (18,704)</u>	<u>\$ -</u>	<u>\$ 2,968,773</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
16. STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
For the Year Ended December 31, 2022

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes				Ending Balance	Note
		Additions	Disposals	Remeasurement of Lease Liabilities	Reclassification		
Original cost							
Right-of-use assets - Land	\$ 251,349	\$ -	\$ -	\$ (353)	\$ -	\$ 250,996	
Right-of-use assets - Transportation equipment	21,767	12,058	(10,945)	-	-	22,880	
Total costs	<u>\$ 273,116</u>	<u>\$ 12,058</u>	<u>\$ (10,945)</u>	<u>\$ (353)</u>	<u>\$ -</u>	<u>\$ 273,876</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
17. STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF  
RIGHT-OF-USE ASSETS  
For the Year Ended December 31, 2022

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes				Ending Balance	Note
		Additions	Disposals	Remeasurement of Lease Liabilities	Reclassification		
Right-of-use assets - Land	\$ 18,308	\$ 6,117	\$ -	\$ -	\$ -	\$ 24,425	
Right-of-use assets - Transportation equipment	12,847	6,102	(10,685)	-	-	8,264	
Total accumulated depreciation	<u>\$ 31,155</u>	<u>\$ 12,219</u>	<u>\$ (10,685)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,689</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
18. STATEMENT OF CHANGES IN INTANGIBLE ASSETS  
For the Year Ended December 31, 2022

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Additions	Reclassification	Ending Balance	Note
Original cost					
Trademarks	\$ 691	\$ -	\$ -	\$ 691	
Patents	18,599	169	-	18,768	
Software cost	217,960	-	19,683	237,643	
Total	<u>\$ 237,250</u>	<u>\$ 169</u>	<u>\$ 19,683</u>	<u>\$ 257,102</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
19. STATEMENT OF CHANGES IN ACCUMULATED AMORTIZATION  
OF INTANGIBLE ASSETS  
For the Year Ended December 31, 2022

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Increase	Reclassification	Ending Balance	Note
Trademarks	\$ 485	\$ 49	\$ -	\$ 534	
Patents	11,348	829	-	12,177	
Software cost	134,205	20,408	-	154,613	
Total	<u>\$ 146,038</u>	<u>\$ 21,286</u>	<u>\$ -</u>	<u>\$ 167,324</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
20. STATEMENT OF OTHER NON-CURRENT ASSETS  
December 31, 2022

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Refundable deposits	1. Security deposit for car leases	\$ 4,085	
	2. Construction bonds	1,700	
	3. Others (Note)	689	
		<u>\$ 6,474</u>	

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED  
21. STATEMENT OF SHORT-TERM LOANS  
December 31, 2022

In Thousands of New Taiwan Dollars

Bank	Description	Loan Amount	Contract Term	Interest Rate	Note
First Commercial Bank	Short-term working capital	\$ 40,000	2022.11.04~2023.02.02	1.22%~1.47%	
Citibank Taiwan	Short-term working capital	150,000	2022.08.01~2023.01.19	1.22%~1.47%	
		<u>\$ 190,000</u>			

TAIFLEX SCIENTIFIC COMPANY LIMITED  
22. STATEMENT OF FINANCIAL LIABILITIES AT FAIR VALUE  
THROUGH PROFIT OR LOSS - CURRENT  
December 31, 2022

In Thousands of New Taiwan Dollars

Name	Description	Number of Stocks	Fair Value		Note
			Unit Price	Total	
Forward foreign exchange contract	Notional amount of RMB60,000 thousand/ NT\$260,755 thousand			\$ 2,840	
Convertible bonds - put options	Notional amount of US\$10,000 thousand/ NT\$304,154 thousand			1,499	
				<u>16,730</u>	
				<u>\$ 21,069</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
23. STATEMENT OF ACCOUNTS PAYABLES  
December 31, 2022

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Company L		\$ 215,462	
Company M		124,281	
Company N		63,002	
Company O		57,544	
Others (Note)		188,440	
Total		<u>\$ 648,729</u>	

Note: Vendors with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED  
24. STATEMENT OF ACCOUNTS PAYABLE - RELATED PARTIES  
December 31, 2022

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Taichem Materials Co., Ltd.		\$ 37,275	
Rudong Fuzhan Scientific Co., Ltd.		13,816	
Kunshan Taiflex Electronic Co., Ltd.		6,836	
Shenzhen Taiflex Electronic Co., Ltd.		418	
Total		<u>\$ 58,345</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
25. STATEMENT OF OTHER PAYABLES  
December 31, 2022

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Bonus payables	Year-end and performance bonuses	\$ 195,421	
Employee compensation payables		71,715	
Equipment payables		39,369	
Others (Note)		210,144	
Total		<u>\$ 516,649</u>	

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED  
26. STATEMENT OF OTHER PAYABLES - RELATED PARTIES  
December 31, 2022

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Taiflex USA Corporation		\$ 6,555	
Taiflex Scientific Japan Co., Ltd.		5,068	
Innatech Co., Ltd.		2,877	
SINYA Digital Co., Ltd.		941	
Koatech Technology Corporation		233	
Kunshan Taiflex Electronic Co., Ltd.		152	
Total		<u>\$ 15,826</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
27. STATEMENT OF BONDS PAYABLE  
December 31, 2022

In Thousands of New Taiwan Dollars

Name	Trustee	Issuance Date	Interest Payment Date	Coupon Rate	Amount					Repayment	Collateral	Note
					Total Amount	Repayment Paid/ Converted	Ending Balance	Unamortized Premiums (Discounts)	Carrying Amount			
Overseas unsecured convertible corporate bonds	KGI Securities	2021.11.30	-	0.00%	\$1,945,300	-	\$1,945,300	\$ (71,900)	\$1,873,400	(Note 2)	None	(Note 1)
Less: Current portion									-			
Net									\$1,873,400			

Note 1: The bond is issued on the Singapore Exchange Securities Trading Limited.

Note 2: 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 (NT\$27.79 = US\$1.00).

TAIFLEX SCIENTIFIC COMPANY LIMITED  
28. STATEMENT OF LONG-TERM LOANS  
December 31, 2022

In Thousands of New Taiwan Dollars

Bank	Type	Amount	Current Portion	Net	Contract Term	Interest Rate	Collateral	Repayment
Export-Import Bank of the Republic of China	Medium to long-term credit loan	\$ 75,000	\$ 50,000	\$ 25,000	2019.06.28-2024.06.28	1.232%~1.7586%	None	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
Taipei Fubon Bank	Medium to long-term credit loan	127,000	10,583	116,417	2021.09.06-2026.09.06	1.232%~1.7586%	None	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
Total		<u>\$ 202,000</u>	<u>\$ 60,583</u>	<u>\$ 141,417</u>				

TAIFLEX SCIENTIFIC COMPANY LIMITED  
29. STATEMENT OF LEASE LIABILITIES  
December 31, 2022

In Thousands of New Taiwan Dollars

Item	Description	Lease Term	Discount Rate	Ending Balance	Note
Land		2016.01.01-2067.12.31	1.7970%	\$ 233,820	
Transportation equipment		2017.07.19-2027.07.17	1.0511%~1.7970%	14,716	
			Total	\$ 248,536	
			Current portion of lease liabilities	(9,988)	
			Lease liabilities - non-current	\$ 238,548	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
30. STATEMENT OF OTHER CURRENT LIABILITIES  
December 31, 2022

In Thousands of New Taiwan Dollars

Item	Amount	Note
Receipts under custody	\$ 3,121	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
31. STATEMENT OF NET DEFINED BENEFIT LIABILITIES - NON-CURRENT  
For the Year Ended December 31, 2022

In Thousands of New Taiwan Dollars

Item	Amount	Note
Beginning balance	\$ 248,689	
Expenses incurred	8,659	
Contributions	(22,661)	
Actuarial loss	(55,540)	
Ending balance	<u>\$ 179,147</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
32. STATEMENT OF OPERATING REVENUE  
For the Year Ended December 31, 2022

In Thousands of New Taiwan Dollars

Item	Quantity	Amount
Electronic materials	32,654,206	\$ 7,174,408
Others (Note)	44,255	235,128
Total		<u>7,409,536</u>
Less: Sales returns and discounts and allowances	(29,556)	(121,618)
Net		<u>\$ 7,287,918</u>

Note: Items with balances less than 10% of operating revenue are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED  
33. STATEMENT OF OPERATING COSTS  
For the Year Ended December 31, 2022

In Thousands of New Taiwan Dollars

Item	Amount
Manufacturing:	
Raw materials, beginning balance	\$ 729,943
Add: Purchases	4,353,024
Less: Raw materials, ending balance	(917,389)
Others	(128,180)
Sale of raw materials	(11,827)
Scrapped	(3,781)
Raw materials used	4,021,790
Direct labor	307,825
Manufacturing overhead	978,398
Total manufacturing cost	5,308,013
Add: Work in progress, beginning balance	72,221
Less: Work in progress, ending balance	(15,658)
Others	(61)
Cost of finished goods	5,364,515
Add: Finished goods, beginning balance	521,520
Purchases	46,344
Less: Finished goods, ending balance	(490,495)
Others	(142,591)
Scrapped	(13,616)
Total cost of production and sales	5,285,677
Trading:	
Merchandise, beginning balance	24,706
Add: Purchases	169,101
Less: Merchandise, ending balance	(10,666)
Others	(11,227)
Scrapped	(6)
Cost of goods sold	5,457,585
Others	93,762
Total operating costs	\$ 5,551,347

TAIFLEX SCIENTIFIC COMPANY LIMITED  
34. STATEMENT OF OPERATING EXPENSES  
For the Year Ended December 31, 2022

In Thousands of New Taiwan Dollars

Item	Sales and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Payroll	\$ 46,292	\$ 190,629	\$ 98,235	\$ 335,156
Research and experiment	-	-	164,567	164,567
Export	169,828	2	-	169,830
Sample submission	62,822	-	-	62,822
Others (Note)	78,953	165,486	87,558	331,997
Total	<u>\$ 357,895</u>	<u>\$ 356,117</u>	<u>\$ 350,360</u>	<u>\$ 1,064,372</u>

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED  
35. STATEMENT OF NON-OPERATING INCOME AND EXPENSES  
For the Year Ended December 31, 2022

In Thousands of New Taiwan Dollars

Item	Amount
Interest income	\$ 7,734
Dividend income	13,551
Rental income	4,992
Miscellaneous income	20,763
Total other income	<u>39,306</u>
Gain on disposal of property, plant and equipment	80
Gain on disposal of investments accounted for using the equity method	39,846
Foreign exchange gain, net	261,467
Net loss on financial assets and liabilities at fair value through profit or loss	(69,775)
Other losses	(1,333)
Total other gains and losses	<u>230,285</u>
Finance costs	<u>(30,284)</u>
Share of profit or loss of subsidiaries and associates accounted for using the equity method	<u>(54,431)</u>
Total non-operating income and expenses	<u><u>\$ 192,610</u></u>