

**TAIFLEX SCIENTIFIC COMPANY LIMITED  
AND SUBSIDIARIES**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2023 and 2022 and  
Independent Auditors' Review Report**

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**Notice to Readers**

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

## Table of Contents

Item	Page
1. Cover	
2. Table of Contents	1
3. Independent Auditors' Review Report	2
4. Consolidated Balance Sheets	3-4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7-8
8. Notes to Consolidated Financial Statements	
(1) History and Organization	9
(2) Date and Procedures of Authorization of Financial Statements	9
(3) Newly Issued or Revised Standards and Interpretations	9-11
(4) Summary of Significant Accounting Policies	11-13
(5) Significant Accounting Judgments and Major Sources of Estimation and Uncertainty	13
(6) Details of Significant Accounts	13-36
(7) Related Party Transactions	36-37
(8) Pledged Assets	37-38
(9) Significant Contingent Liabilities and Unrecognized Contract Commitments	38
(10) Significant Disaster Loss	38
(11) Significant Subsequent Events	38
(12) Others	38-47
(13) Additional Disclosures	
A. Information on Significant Transactions and Investees	47, 50-54, 56
B. Information on Investments in Mainland China	47,55
C. Information on Major Shareholders	47,57
(14) Operating Segment	47-49

## **Independent Auditors' Review Report**

To Taiflex Scientific Co., Ltd.

### **Introduction**

We have reviewed the consolidated balance sheets of Taiflex Scientific Co., Ltd. and its subsidiaries (hereinafter referred to as “Taiflex Group”) as of June 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the six months then ended, and notes to consolidated financial statements (including a summary on significant accounting policies). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of review**

We conducted our reviews in accordance with the Standards on Review Engagement No. 2410 “Review of Financial Information Performed by the Independent Auditor of the Entity.” A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, we did not discover matters which would lead us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial status of Taiflex Group as of June 30, 2023 and 2022, its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, and its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission.

Ernst & Young, Taiwan

July 26, 2023

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
June 30, 2023, December 31, 2022 and June 30, 2022  
(In Thousands of New Taiwan Dollars)

Assets	Notes	June 30, 2023	December 31, 2022	June 30, 2022
<b>Current assets</b>				
Cash and cash equivalents	4, 6(1)	\$ 2,507,053	\$ 2,264,386	\$ 2,414,173
Financial assets at fair value through profit or loss - current	4, 6(2)	31,600	26,925	26,604
Financial assets at amortized cost - current	4, 6(3)	-	30,743	49,800
Notes receivable, net	4, 6(4)	527,740	702,095	1,004,425
Accounts receivable, net	4, 6(5)	2,712,401	2,991,214	3,368,160
Other receivables	7	51,875	36,871	57,675
Inventories, net	4, 6(6)	1,668,241	1,770,596	2,373,192
Prepayments		63,705	42,169	86,853
Other current assets	8	48,126	48,121	55,120
Total current assets		<u>7,610,741</u>	<u>7,913,120</u>	<u>9,436,002</u>
<b>Non-current assets</b>				
Financial assets at fair value through other comprehensive income - non-current	4, 6(7)	322,911	255,689	301,425
Investments accounted for using the equity method	4, 6(8)	22,597	27,508	29,511
Property, plant and equipment	4, 6(9)	4,266,569	3,905,972	3,728,026
Right-of-use assets	4, 6(22)	371,613	381,448	373,701
Intangible assets	4, 6(10,12)	154,066	164,049	160,854
Deferred income tax assets		161,628	175,599	181,153
Other non-current assets	4, 6(11)	31,772	24,142	22,276
Total non-current assets		<u>5,331,156</u>	<u>4,934,407</u>	<u>4,796,946</u>
<b>Total assets</b>		<u>\$ 12,941,897</u>	<u>\$ 12,847,527</u>	<u>\$ 14,232,948</u>

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS-(Continued)  
June 30, 2023, December 31, 2022 and June 30, 2022  
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	June 30, 2023	December 31, 2022	June 30, 2022
<b>Current liabilities</b>				
Short-term loans	6(13)	\$ 81,428	\$ 255,000	\$ 150,000
Financial liabilities at fair value through profit or loss - current	4, 6(14)	13,894	21,136	21,569
Contract liabilities - current	4, 6(20)	1,913	758	1,430
Notes payable		413	402	490
Accounts payable		1,355,555	752,369	1,727,644
Other payables	7	1,160,984	669,642	1,258,028
Current income tax liabilities	4, 6(25)	122,685	275,025	191,874
Lease liabilities - current	4, 6(22)	21,189	21,926	17,756
Current portion of long-term loans	6(16)	14,467	69,260	57,857
Other current liabilities		3,935	3,690	999
Total current liabilities		<u>2,776,463</u>	<u>2,069,208</u>	<u>3,427,647</u>
<b>Non-current liabilities</b>				
Bonds payable	6(15)	1,882,428	1,873,400	1,864,415
Long-term loans	6(16)	154,081	305,216	531,348
Deferred income tax liabilities		107,437	108,382	127,503
Lease liabilities - non-current	4, 6(22)	253,506	259,844	251,807
Net defined benefit liabilities - non-current	4, 6(17)	157,934	179,147	231,609
Other non-current liabilities	4, 12	11,059	255	295
Total non-current liabilities		<u>2,566,445</u>	<u>2,726,244</u>	<u>3,006,977</u>
Total liabilities		<u>5,342,908</u>	<u>4,795,452</u>	<u>6,434,624</u>
<b>Equity attributable to shareholders of the parent</b>				
Capital	6(18)			
Common stock		2,091,197	2,091,197	2,091,197
Capital surplus	6(18)	1,020,336	1,140,566	1,140,566
Retained earnings				
Legal reserve		1,163,891	1,089,400	1,089,400
Special reserve		310,176	235,996	235,996
Unappropriated earnings		3,208,174	3,661,049	3,349,675
Total retained earnings		<u>4,682,241</u>	<u>4,986,445</u>	<u>4,675,071</u>
Others	4	<u>(310,245 )</u>	<u>(310,176 )</u>	<u>(262,878 )</u>
Total equity attributable to shareholders of the parent		<u>7,483,529</u>	<u>7,908,032</u>	<u>7,643,956</u>
Non-controlling interests	4, 6(18)	<u>115,460</u>	<u>144,043</u>	<u>154,368</u>
Total equity		<u>7,598,989</u>	<u>8,052,075</u>	<u>7,798,324</u>
<b>Total liabilities and equity</b>		<u>\$ 12,941,897</u>	<u>\$ 12,847,527</u>	<u>\$ 14,232,948</u>

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

(Concluded)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the Three Months and Six Months Ended June 30, 2023 and 2022  
(In Thousands of New Taiwan Dollars)

	Notes	Three Months Ended June 30		Six Months Ended June 30	
		2023	2022	2023	2022
Operating revenue	4, 6(20)	\$2,079,535	\$2,305,050	\$3,482,113	\$4,489,222
Operating costs	4, 6(6,23)	(1,610,260)	(1,701,037)	(2,791,976)	(3,404,135)
Gross profit		469,275	604,013	690,137	1,085,087
Operating expenses	4, 6(23)				
Sales and marketing expenses		(121,808)	(143,670)	(224,263)	(268,486)
General and administrative expenses		(117,183)	(124,040)	(215,834)	(239,714)
Research and development expenses		(86,913)	(105,190)	(163,722)	(205,544)
Expected credit gain (loss)	6(21)	4,467	(4,142)	5,036	(4,144)
Total operating expenses		(321,437)	(377,042)	(598,783)	(717,888)
Operating income		147,838	226,971	91,354	367,199
Non-operating income and expenses	6(24)				
Interest income		10,443	2,072	15,343	4,288
Other income		3,199	3,291	12,276	6,849
Other gains and losses		7,034	64,550	(8,089)	191,727
Finance costs		(7,400)	(7,949)	(15,462)	(17,168)
Share of profit or loss of associates accounted for using the equity method	4, 6(8)	(1,349)	299	(3,864)	400
Total non-operating income and expenses		11,927	62,263	204	186,096
Income before income tax		159,765	289,234	91,558	553,295
Income tax expense	4, 6(25)	(37,588)	(63,641)	(25,771)	(118,320)
Net income from continuing operations		122,177	225,593	65,787	434,975
Net income		122,177	225,593	65,787	434,975
Other comprehensive income	6(24)				
Items that will not be reclassified subsequently to profit or loss					
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income		(19,645)	(41,131)	67,222	(71,212)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(114,402)	(54,623)	(85,673)	55,913
Income tax related to items that may be reclassified subsequently to profit or loss		22,881	10,924	17,135	(11,183)
Total other comprehensive income, net of tax		(111,166)	(84,830)	(1,316)	(26,482)
Total comprehensive income		\$ 11,011	\$ 140,763	\$ 64,471	\$ 408,493
Net income attributable to:	4, 6(18,26)				
Shareholders of the parent		\$ 138,696	\$ 225,090	\$ 93,123	\$ 433,541
Non-controlling interests		(16,519)	503	(27,336)	1,434
		\$ 122,177	\$ 225,593	\$ 65,787	\$ 434,975
Total comprehensive income attributable to:					
Shareholders of the parent		\$ 29,037	\$ 140,873	\$ 93,054	\$ 406,673
Non-controlling interests		(18,026)	(110)	(28,583)	1,820
		\$ 11,011	\$ 140,763	\$ 64,471	\$ 408,493
Earnings per share (NT\$)	4, 6(26)				
Earnings per share - basic		\$ 0.66	\$ 1.07	\$ 0.45	\$ 2.07
Earnings per share - diluted		\$ 0.57	\$ 0.93	\$ 0.40	\$ 1.79

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the Six Months Ended June 30, 2023 and 2022  
(In Thousands of New Taiwan Dollars)

Item	Equity Attributable to Shareholders of the Parent							Total	Non-Controlling Interests	Total Equity
	Retained Earnings					Others				
	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, 2022	\$ 2,091,197	\$ 1,145,766	\$ 1,014,369	\$ 234,299	\$ 3,515,661	\$ (213,774)	\$ (22,222)	\$ 7,765,296	\$ 148,097	\$ 7,913,393
Appropriation and distribution of 2021 earnings										
Legal reserve			75,031		(75,031)			-		-
Special reserve				1,697	(1,697)			-		-
Cash dividends for common stocks					(522,799)			(522,799)		(522,799)
Changes in other capital surplus										
Changes from investments in associates accounted for using the equity method		7						7		7
Net income for the six months ended June 30, 2022					433,541			433,541	1,434	434,975
Other comprehensive income (loss) for the six months ended June 30, 2022						44,344	(71,212)	(26,868)	386	(26,482)
Total comprehensive income	-	-	-	-	433,541	44,344	(71,212)	406,673	1,820	408,493
Disposal of investments accounted for using the equity method		(5,207)						(5,207)		(5,207)
Changes in percentage of ownership interests in subsidiaries						(14)		(14)		(14)
Non-controlling interests									4,451	4,451
Balance as of June 30, 2022	\$ 2,091,197	\$ 1,140,566	\$ 1,089,400	\$ 235,996	\$ 3,349,675	\$ (169,444)	\$ (93,434)	\$ 7,643,956	\$ 154,368	\$ 7,798,324
Balance as of January 1, 2023	\$ 2,091,197	\$ 1,140,566	\$ 1,089,400	\$ 235,996	\$ 3,661,049	\$ (171,006)	\$ (139,170)	\$ 7,908,032	\$ 144,043	\$ 8,052,075
Appropriation and distribution of 2022 earnings										
Legal reserve			74,491		(74,491)			-		-
Special reserve				74,180	(74,180)			-		-
Cash dividends for common stocks					(397,327)			(397,327)		(397,327)
Changes in other capital surplus										
Changes from investments in associates accounted for using the equity method		21						21		21
Cash dividends from capital surplus		(125,472)						(125,472)		(125,472)
Net income for the six months ended June 30, 2023					93,123			93,123	(27,336)	65,787
Other comprehensive income (loss) for the six months ended June 30, 2023						(67,291)	67,222	(69)	(1,247)	(1,316)
Total comprehensive income	-	-	-	-	93,123	(67,291)	67,222	93,054	(28,583)	64,471
Disposal of investments accounted for using the equity method		(3)						(3)		(3)
Share-based payments		5,224						5,224		5,224
Balance as of June 30, 2023	\$ 2,091,197	\$ 1,020,336	\$ 1,163,891	\$ 310,176	\$ 3,208,174	\$ (238,297)	\$ (71,948)	\$ 7,483,529	\$ 115,460	\$ 7,598,989

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Six Months Ended June 30, 2023 and 2022  
(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2023	2022
Cash flows from operating activities:		
Income before income tax	\$ 91,558	\$ 553,295
Adjustments:		
Non-cash income and expense items:		
Depreciation	214,092	196,472
Amortization	11,564	11,603
Expected credit (gain) loss	(5,036)	4,144
Net (gain) loss on financial assets (liabilities) at fair value through profit or loss	(2,595)	57,218
Interest expense	15,462	17,168
Interest income	(15,343)	(4,288)
Compensation costs of share-based payments	5,224	-
Share of loss (gain) of associates accounted for using the equity method	3,864	(400)
Loss on disposal of property, plant and equipment	287	587
Gain on disposal of investments accounted for using the equity method	(708)	(39,846)
Others	38,402	59,946
Changes in operating assets and liabilities:		
Increase in financial assets mandatorily at fair value through profit or loss	(9,322)	(45,773)
Decrease (increase) in notes receivable	174,355	(75,121)
Decrease (increase) in accounts receivable	282,857	(339,014)
Increase in other receivables	(16,277)	(7,461)
Decrease (increase) in inventories	64,739	(564,393)
Increase in prepayments	(25,761)	(34,420)
Increase in other current assets	(635)	(6,054)
Increase in other non-current assets	(6,240)	(7,846)
Increase (decrease) in contract liabilities	1,155	(423)
Increase in notes payable	11	121
Increase in accounts payable	603,186	448,341
(Decrease) increase in other payables	(84,798)	110,116
Increase (decrease) in other current liabilities	245	(2,830)
Decrease in net defined benefit liabilities	(21,213)	(17,080)
Cash generated from operations	1,319,073	314,062
Interest received	16,616	4,591
Interest paid	(4,846)	(5,427)
Income tax paid	(143,725)	(40,612)
Net cash generated by operating activities	\$ 1,187,118	\$ 272,614

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

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TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)  
For the Six Months Ended June 30, 2023 and 2022  
(In Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2023	2022
Cash flows from investing activities:		
Disposal of financial assets at amortized cost	\$ 30,743	\$ 227,100
Disposal of investments accounted for using the equity method	1,773	46,419
Acquisition of property, plant and equipment	(527,815)	(570,051)
Disposal of property, plant and equipment	49	40
Increase in refundable deposits	(1,948)	-
Decrease in refundable deposits	-	80
Acquisition of intangible assets	(971)	(737)
Decrease (increase) in other current assets - other financial assets - current	630	(1,469)
Net cash used in investing activities	(497,539)	(298,618)
Cash flows from financing activities:		
Decrease in short-term loans	(173,572)	(640,000)
Repayment of long-term loans	(205,928)	(220,515)
Increase in guarantee deposits received	10,804	40
Repayment of lease principal	(18,256)	(11,384)
Changes in non-controlling interests	-	4,437
Net cash used in financing activities	(386,952)	(867,422)
Effect of exchange rate changes on cash and cash equivalents	(59,960)	37,198
Net increase (decrease) in cash and cash equivalents	242,667	(856,228)
Cash and cash equivalents at beginning of period	2,264,386	3,270,401
Cash and cash equivalents at end of period	\$ 2,507,053	\$ 2,414,173

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

(Concluded)

# TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2023 and 2022

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

### 1. History and Organization

Taiflex Scientific Company Limited (the “Company”) was incorporated in August, 1997. Its main operations consist of manufacturing, research and development, and selling of flexible copper-clad laminate, coverlay, bonding sheet, stiffener and composite film. Shares of the Company commenced trading on the Taipei Exchange on December 19, 2003 and were listed on the Taiwan Stock Exchange (TWSE) on December 17, 2009.

### 2. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the six months ended June 30, 2023 and 2022 were approved and authorized for issue in the Board of Directors’ meeting on July 26, 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 Group has adopted International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations and SIC interpretations endorsed by the Financial Supervisory Commission (FSC) to take effect for annual periods beginning on January 1, 2023. The first-time adoption does not have any material impact on the Group.

#### (2) As of the date of issuance of the financial statements, the Group has not adopted the following new, revised or amended standards and interpretations issued by International Accounting Standards Board (IASB) 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
IAS 12	International Tax Reform - Pillar Two Model Rules	January 1, 2023
IAS 7 and IFRS 7	Supplier Finance Arrangements	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

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

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.

**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.

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

F. International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)

The amendments provide a temporary exception to the requirements regarding the recognition and disclosure of deferred income tax assets and liabilities related to pillar two income taxes, and targeted disclosure requirements for affected entities. The disclosure requirements do not apply for any interim periods ending on or before December 31, 2023.

G. Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

Besides details on supplier finance arrangements, the amendments also require additional disclosures on supplier finance arrangements.

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

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements for the six months ended June 30, 2023 and 2022 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” endorsed and issued into effect by FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statements

The Group adopts the same preparation principle as the one used in the preparation of consolidated financial statements for the year ended December 31, 2022. Please refer to the consolidated financial statements for the year ended December 31, 2022 for details.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Ownership Percentage		
			2023.6.30	2022.12.31	2022.6.30
The Company	Taistar Co., Ltd. (Taistar)	Investment holding	100.00%	100.00%	100.00%
The Company	Leadmax Ltd. (Leadmax)	Trading of electronic materials	100.00%	100.00%	100.00%
The Company	Koatech Technology Corporation (Koatech)	Manufacturing and selling of electronic materials and components	52.97%	52.97%	52.97%
The Company	TFS Co., Ltd. (TFS)	Investment holding	100.00%	100.00%	100.00%
The Company	Taiflex Scientific Japan Co., Ltd. (Japan Taiflex)	Trading and technical support of electronic materials	100.00%	100.00%	100.00%

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

Investor	Subsidiary	Main Business	Ownership Percentage		
			2023.6.30	2022.12.31	2022.6.30
The Company	Taiflex USA Corporation (USA Taiflex)	Technical support and marketing of electronic materials	100.00%	100.00%	100.00%
The Company	Richstar Co., Ltd. (Richstar)	Investment holding	73.94%	73.94%	73.94%
The Company	Taichem Materials Co., Ltd. (Taichem Materials)	Manufacturing and selling of semiconductor materials	100.00%	100.00%	100.00%
The Company	Taiflex Green Power Co., Ltd. (Taiflex Green Power)	Generation and selling of electricity from renewables	100.00%	100.00%	100.00%
The Company	Taiflex Scientific (Thailand) Co., Ltd. (Thailand Taiflex)	Manufacturing and selling of electronic materials	100.00%	100.00% (Note 1)	100.00% (Note 1)
Taistar	TSC International Ltd. (TSC)	Investment holding	100.00%	100.00%	100.00%
TSC	Kunshan Taiflex Electronic Co., Ltd. (Kunshan Taiflex Electronic)	Selling of chemical products, electronic materials and electronic components	100.00%	100.00%	100.00%
TFS	Richstar Co., Ltd. (Richstar)	Investment holding	26.06%	26.06%	26.06%
Richstar	Shenzhen Taiflex Electronic Co., Ltd. (Shenzhen Taiflex)	Trading of coating materials for high polymer film and copper foil	100.00%	100.00%	100.00%
Richstar	Rudong Fuzhan Scientific Co., Ltd. (Rudong Fuzhan)	Manufacturing and selling of electronic materials	100.00%	100.00%	100.00%
Koatech	KTC Global Co., Ltd. (KTC Global)	Investment holding	100.00%	100.00%	100.00%
KTC Global	KTC PanAsia Co., Ltd. (KTC PanAsia)	Investment holding	100.00%	100.00%	100.00%
KTC PanAsia	Kunshan Koatech Technology Corporation (Kunshan Koatech)	A wholesaler and a commission agent of electronic materials and components	100.00%	100.00%	100.00%

Note 1: The Company established Thailand Taiflex in Thailand and acquired 100% of the company in May 2022.

(4) Share-based payment transactions

The cost of equity-settled share-based payment transactions between the Group and its employees is recognized based on the fair value of the equity instruments on the grant date. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the service and performance conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative cost recognized for share-based payment transactions as at the beginning and end of that period is recognized as profit or loss for the period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition. In which case, relevant expense is recognized when all service or performance conditions are satisfied, irrespective of whether the market or non-vesting condition is satisfied.

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

When modifying the terms of an equity-settled transaction, the minimum expense to be recognized is the original payment cost as if the terms have not been modified. An additional cost is recognized for modifications which increase the total fair value of the share-based payment transaction or are beneficial to the employees.

If the award plan is cancelled, it is deemed as if it is vested on the cancellation date, and any expense not yet recognized for the remaining share-based payments is recognized immediately. The expense includes awards where non-vesting conditions within the control of either the Company or the employees are not met. If the awards cancelled are replaced by new ones and the replacement is confirmed on the grant date, both the cancelled and new award plans are deemed as modifications to the original award plan.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

- (5) The consolidated financial statements for the six months ended June 30, 2023 and 2022 adopt the same accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2022. Please refer to the consolidated financial statements for the year ended December 31, 2022 for a summary of other significant accounting policies.

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

The same critical accounting judgments and major sources of estimation and uncertainty have been followed in the consolidated financial statements for the six months ended June 30, 2023 and 2022 as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2022. For the summary of critical accounting judgments and major sources of estimation and uncertainty, please refer to the consolidated financial statements for the year ended December 31, 2022.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand and petty cash	\$ 940	\$ 795	\$ 765
Bank deposits	2,406,321	2,063,919	2,413,408
Repurchased agreements	99,792	199,672	-
Total	<u>\$ 2,507,053</u>	<u>\$ 2,264,386</u>	<u>\$ 2,414,173</u>

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

	June 30, 2023	December 31, 2022	June 30, 2022
Mandatorily at fair value through profit or loss:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 4,126	\$ 189	\$ 378
- Foreign exchange swap contracts	738	-	-
Stocks	26,736	26,736	26,226
Total	<u>\$ 31,600</u>	<u>\$ 26,925</u>	<u>\$ 26,604</u>

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

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

(3) Financial assets at amortized cost - current

	June 30, 2023	December 31, 2022	June 30, 2022
Time deposits - current	\$ -	\$ 30,743	\$ 49,800

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

(4) Notes receivable

	June 30, 2023	December 31, 2022	June 30, 2022
Notes receivable, net	\$ 527,740	\$ 702,095	\$ 1,004,425

The Group's notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6(21) for details on loss allowance and Note 12 for credit risk.

(5) Accounts receivable

	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable	\$ 2,755,703	\$ 3,041,050	\$ 3,416,544
Less: Loss allowance	(43,302)	(49,836)	(48,384)
Accounts receivable, net	\$ 2,712,401	\$ 2,991,214	\$ 3,368,160

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

B. The credit terms of accounts receivables are generally set at monthly settlement with payment in 60 to 180 days. Please refer to Note 6(21) for loss allowance for the six months ended June 30, 2023 and 2022 and Note 12 for credit risk.

(6) Inventories

	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials	\$ 567,342	\$ 921,077	\$ 897,801
Inventories in transit	80,801	23,181	101,850
Supplies	21,142	24,027	25,606
Work in progress	143,978	14,616	99,222
Finished goods	553,779	494,115	791,483
Merchandise	301,199	293,580	457,230
Total	\$ 1,668,241	\$ 1,770,596	\$ 2,373,192

The Group recognized NT\$1,610,260 thousand, NT\$1,701,037 thousand, NT\$2,791,976 thousand and NT\$3,404,135 thousand of operating costs associated with inventories and NT\$11,834 thousand, NT\$28,109 thousand, NT\$20,727 thousand and NT\$47,161 thousand of inventory valuation loss for inventories written down to their net realizable value for the three months and six months ended June 30, 2023 and 2022, respectively.

The aforementioned inventories were not pledged.

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

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

	June 30, 2023	December 31, 2022	June 30, 2022
Investments in equity instruments at fair value through other comprehensive income - non-current:			
Publicly traded stocks	\$ 322,911	\$ 255,689	\$ 301,425
Non-publicly traded stocks	-	-	-
Total	<u>\$ 322,911</u>	<u>\$ 255,689</u>	<u>\$ 301,425</u>

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

(8) Investments accounted for using the equity method

Investee	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	Ownership Percentage	Amount	Ownership Percentage	Amount	Ownership Percentage
Investments in associates:						
Innovision FlexTech Corp.	\$ 22,597	13.09%	\$ 27,508	13.67%	\$ 29,511	13.67%

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\$33,419 thousand as of June 30, 2023.

A. The shares of profit or loss of associates accounted for using the equity method based on the investees' unreviewed financial statements for the six months ended June 30, 2023 and 2022 were as follows:

Investee	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Innovision FlexTech Corp.	\$ (1,349)	\$ 669	\$ (3,864)	\$ 2,142
Geckos Technology Corp.	-	(370)	-	(1,742)
Total	<u>\$ (1,349)</u>	<u>\$ 299</u>	<u>\$ (3,864)</u>	<u>\$ 400</u>

B. The Group accounted for Innovision FlexTech Corp. (Innovision) using the equity method as it had significant influence over the investee through ownership and representation on Innovision's board of directors.

C. The Group sold all of its holdings in Geckos Technology Corp. in May 2022.

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

	June 30, 2023	December 31, 2022	June 30, 2022
Total assets	\$ 341,875	\$ 381,120	\$ 397,830
Total liabilities	\$ 169,220	\$ 179,834	\$ 181,884



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

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Revenue	\$ 54,459	\$ 62,199	\$ 90,433	\$ 134,989
Net income (loss)	\$ (10,300)	\$ 10,743	\$ (28,782)	\$ 15,522

(9) Property, plant and equipment

	June 30, 2023	December 31, 2022	June 30, 2022
Owner-occupied property, plant and equipment	<u>\$ 4,266,569</u>	<u>\$ 3,905,972</u>	<u>\$ 3,728,026</u>

A. Owner-occupied property, plant and equipment

	As of January 1, 2023	Additions	Disposals	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of June 30, 2023
<u>Cost</u>							
Land	\$ 327,936	\$ -	\$ -	\$ -	\$ -	\$ 1,172	\$ 329,108
Buildings	1,848,661	67,531	-	-	-	(11,829)	1,904,363
Machinery and equipment	3,597,680	69,696	(717)	-	-	(8,646)	3,658,013
Hydropower equipment	472,741	6,986	-	-	-	(1,551)	478,176
Testing equipment	397,342	1,472	(231)	-	-	(929)	397,654
Miscellaneous equipment	328,648	24,787	(1,055)	-	-	(1,125)	351,255
Total	<u>\$ 6,973,008</u>	<u>\$ 170,472</u>	<u>\$ (2,003)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,908)</u>	<u>\$ 7,118,569</u>
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 625,397	\$ 44,325	\$ -	\$ -	\$ -	\$ (1,550)	\$ 668,172
Machinery and equipment	2,356,965	113,031	(490)	-	-	(2,203)	2,467,303
Hydropower equipment	285,928	11,278	-	-	-	(421)	296,785
Testing equipment	252,026	16,218	(191)	-	-	(468)	267,585
Miscellaneous equipment	225,305	14,722	(995)	-	-	(713)	238,319
Total	<u>\$ 3,745,621</u>	<u>\$ 199,574</u>	<u>\$ (1,676)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,355)</u>	<u>\$ 3,938,164</u>
Construction in progress and equipment awaiting inspection	678,585	411,625	-	(1,040)	-	(3,006)	1,086,164
Net	<u>\$ 3,905,972</u>						<u>\$ 4,266,569</u>

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

(Continued)

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

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

(Concluded)

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

(10) Intangible assets

	As of January 1, 2023	Additions	Disposals	Reclassification	Effect of Exchange Rate Changes	As of June 30, 2023
<u>Cost</u>						
Trademarks	\$ 762	\$ -	\$ (176)	\$ -	\$ -	\$ 586
Patents	48,209	243	(13,840)	-	-	34,612
Software cost	266,934	728	(103,297)	378	(194)	164,549
Goodwill	69,781	-	-	-	-	69,781
Total	<u>\$ 385,686</u>	<u>\$ 971</u>	<u>\$ (117,313)</u>	<u>\$ 378</u>	<u>\$ (194)</u>	<u>\$ 269,528</u>
<u>Accumulated amortization and impairment</u>						
Trademarks	\$ 542	\$ 28	\$ (176)	\$ -	\$ -	\$ 394
Patents	41,542	417	(13,840)	-	-	28,119
Software cost	179,553	10,881	(103,297)	-	(188)	86,949
Total	<u>221,637</u>	<u>\$ 11,326</u>	<u>\$ (117,313)</u>	<u>\$ -</u>	<u>\$ (188)</u>	<u>115,462</u>
Net	<u>\$ 164,049</u>					<u>\$ 154,066</u>

  

	As of January 1, 2022	Additions	Disposals	Reclassification	Effect of Exchange Rate Changes	As of June 30, 2022
<u>Cost</u>						
Trademarks	\$ 732	\$ 30	\$ -	\$ -	\$ -	\$ 762
Patents	47,964	91	-	-	-	48,055
Software cost	243,064	616	-	8,861	149	252,690
Goodwill	69,781	-	-	-	-	69,781
Total	<u>\$ 361,541</u>	<u>\$ 737</u>	<u>\$ -</u>	<u>\$ 8,861</u>	<u>\$ 149</u>	<u>\$ 371,288</u>
<u>Accumulated amortization and impairment</u>						
Trademarks	\$ 486	\$ 27	\$ -	\$ -	\$ -	\$ 513
Patents	40,713	416	-	-	-	41,129
Software cost	157,963	10,697	-	-	132	168,792
Total	<u>199,162</u>	<u>\$ 11,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132</u>	<u>210,434</u>
Net	<u>\$ 162,379</u>					<u>\$ 160,854</u>

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

(11) Other non-current assets

	June 30, 2023	December 31, 2022	June 30, 2022
Refundable deposits	\$ 14,793	\$ 12,845	\$ 13,467
Other non-current assets - other	16,979	11,297	8,809
Total	<u>\$ 31,772</u>	<u>\$ 24,142</u>	<u>\$ 22,276</u>

(12) Impairment testing of goodwill

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

Key assumption in calculating the fair value less costs of disposal

The calculation of CGUs' fair value less costs of disposal is most sensitive to the following assumption:

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

Sensitivity to changes in assumption

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

(13) Short-term loans

	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured bank loans	<u>\$ 81,428</u>	<u>\$ 255,000</u>	<u>\$ 150,000</u>

The interest rate ranges of loans were 1.968% to 3.65%, 1.22% to 2.15% and 0.72% and the unused short-term credit facilities amounted to NT\$3,667,422 thousand, NT\$3,560,804 thousand and NT\$3,276,529 thousand as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

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

	June 30, 2023	December 31, 2022	June 30, 2022
Held for trading:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 2,222	\$ 4,339	\$ 6,987
- Foreign exchange swap contracts	-	67	381
			(Continued)

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

	June 30, 2023	December 31, 2022	June 30, 2022
Designated as at fair value through profit or loss:			
- Convertible bonds - put option	\$ 11,672	\$ 16,730	\$ 14,201
Total	<u>\$ 13,894</u>	<u>\$ 21,136</u>	<u>\$ 21,569</u> (Concluded)

(15) Bonds payable

	June 30, 2023	December 31, 2022	June 30, 2022
Overseas unsecured convertible bonds payable	\$ 1,882,428	\$ 1,873,400	\$ 1,864,415
Less: Current portion	-	-	-
Net	<u>\$ 1,882,428</u>	<u>\$ 1,873,400</u>	<u>\$ 1,864,415</u>
Overseas unsecured convertible bonds payable			
	June 30, 2023	December 31, 2022	June 30, 2022
Liability component:			
Overseas unsecured convertible bonds payable			
- principal amount	\$ 1,945,300	\$ 1,945,300	\$ 1,945,300
Overseas unsecured convertible bonds payable			
- discounts	(62,872)	(71,900)	(80,885)
Subtotal	\$ 1,882,428	\$ 1,873,400	\$ 1,864,415
Less: Current portion	-	-	-
Net	<u>\$ 1,882,428</u>	<u>\$ 1,873,400</u>	<u>\$ 1,864,415</u>
Embedded derivative financial instruments	<u>\$ (11,672)</u>	<u>\$ (16,730)</u>	<u>\$ (14,201)</u>
Equity component	<u>\$ 70,203</u>	<u>\$ 70,203</u>	<u>\$ 70,203</u>

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

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

Period: November 30, 2021 to November 30, 2026

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 US\$1.00 = NT\$27.79).

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

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

Terms of conversion:

- A. Underlying securities: Common stocks of the Company
- B. Conversion period: Bondholders have the right to convert their bonds into the Company’s common stocks from the day immediately following the 90-day period from the issue date to (1) 10 days prior to the maturity date or (2) no later than five business days prior to the holder’s put date or the date when the Company exercises early redemption.
- C. Conversion price and its adjustments: The conversion price is set at NT\$53.5 per share at the time of issuance. When the conversion price needs to be adjusted due to circumstances set out in the bond indenture, it shall be adjusted according to formulas in the indenture. The conversion price as of June 30, 2023 was NT\$50.58 per share.

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

- D. Redemption on maturity date: Upon maturity, the bonds will be redeemed at 100% of the outstanding principal amount (redemption amount at maturity). The redemption amount at maturity is converted to New Taiwan dollars using the Fixed Exchange Rate, and the New Taiwan dollars amount will be converted into U.S. dollars using the prevailing exchange rate (the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m.) for payments in U.S. dollars.

(16) Long-term loans

Details of long-term loans as of June 30, 2023, December 31, 2022 and June 30, 2022 were as follows:

Creditor	2023.06.30	Contract Term and Repayment
Taishin International Bank - secured loan	\$ 123,370	2020.2.25 - 2025.2.25, principal to be repaid by the remaining term with monthly interest payment
E.Sun Commercial Bank - secured loan	45,178	2022.3.25 - 2029.3.25, principal to be repaid in equal monthly installments with monthly interest payment
Subtotal	168,548	
Less: Current portion	(14,467)	
Total	<u>\$ 154,081</u>	

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 Commercial 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
Taishin International Bank - secured loan	123,370	2020.2.25 - 2025.2.25, principal to be repaid by the remaining term with monthly interest payment
E.Sun Commercial Bank - secured loan	49,106	2022.3.25 - 2029.3.25, principal to be repaid in equal monthly installments with monthly interest payment
Subtotal	374,476	
Less: Current portion	(69,260)	
Total	<u>\$ 305,216</u>	

Creditor	2022.06.30	Contract Term and Repayment
Export-Import Bank of the Republic of China - credit loan	\$ 100,000	2019.6.28 - 2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Mizuho Bank - credit loan	150,000	2021.10.5 - 2023.10.5, revolving for 2 years after the commencement date with monthly interest payment
Taipei Fubon Commercial 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
Taishin International Bank - credit loan	45,800	2021.9.10 - 2023.9.10, revolving for 2 years after the commencement date with monthly interest payment
Taishin International Bank - secured loan	113,370	2020.2.25 - 2025.2.25, principal to be repaid by the remaining term with monthly interest payment

(Continued)

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

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

(Concluded)

- A. The interest rate ranges of loans were 1.968% to 2%, 1.23% to 1.8% and 0.8137% to 1.5% as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively. Please refer to Note 8 for collateral of the long-term loans.
- B. In July 2020, the Group entered into a syndicated loan agreement with eight financial institutions, including the Bank of Taiwan (bookrunner), for a loan facility of NT\$2.5 billion or the equivalent in U.S. dollars. The contract term was five years from the initial drawdown date, i.e., October 2020 to October 2025 and the credit term of the agreement was mid-term loans - current. During the loan term, the Group was required to calculate and maintain the following financial ratios at an agreed level based on the consolidated financial statements audited by CPAs every six months: current ratio, debt ratio, interest coverage ratio and tangible net value. The Group has abided by those terms.

(17) Post-employment benefit plans

A. Defined contribution plan

Expenses under the defined contribution plan for the three months and six months ended June 30, 2023 and 2022 were NT\$8,237 thousand, NT\$8,550 thousand, NT\$16,873 thousand and NT\$17,281 thousand, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan for the three months and six months ended June 30, 2023 and 2022 were NT\$2,046 thousand, NT\$2,189 thousand, NT\$4,094 thousand and NT\$4,377 thousand, respectively.

(18) Equity

A. Capital

- (a) The Company's authorized capital was NT\$3,000,000 thousand, divided into 300,000 thousand shares (including 15,000 thousand shares with the amount of NT\$150,000 thousand reserved for the exercise of employee stock options, preferred stock with warrants and bond with warrants), each at a par value of NT\$10 as of June 30, 2023, December 31, 2022 and June 30, 2022.
- (b) The Company's issued capital was NT\$2,091,197 thousand, divided into 209,120 thousand shares, each at a par value of NT\$10 as of June 30, 2023, December 31, 2022 and June 30, 2022.

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

B. Capital surplus

	June 30, 2023	December 31, 2022	June 30, 2022
Additional paid-in capital	\$ 541,007	\$ 666,479	\$ 666,479
Premium from merger	262,500	262,500	262,500
Donated assets	1,970	1,970	1,970
Treasury stock transactions	27,280	27,280	27,280
Due to recognition of equity component of convertible bonds - stock options	70,203	70,203	70,203
Employee stock options	5,224	-	-
Others	112,152	112,134	112,134
Total	<u>\$ 1,020,336</u>	<u>\$ 1,140,566</u>	<u>\$ 1,140,566</u>

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

C. Appropriation of profits and dividend policies

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:

- (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.



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

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.

The Company complies with Order No. Jin-Guan-Zheng-Fa-1090150022 issued by the FSC on March 31, 2021, which sets out the following provisions: On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserves. Later when the company uses, disposes of, or reclassifies the relevant assets, it may reverse to distributable earnings a proportional amount of the special reserves originally set aside.

As of June 30, 2023 and 2022, special reserve set aside for the first-time adoption of IFRS amounted to NT\$75,546 thousand.

Information about the appropriation of 2022 earnings resolved in the Board of Directors' meeting on February 22, 2023 and the appropriations of 2021 earnings resolved in the shareholders' meeting on May 26, 2022 was as follows:

	Appropriation of Earnings		Dividend per Share (NT\$)	
	2022	2021	2022	2021
Legal reserve	\$ 74,491	\$ 75,031	-	-
Special reserve	74,180	1,697	-	-
Cash dividends - common stocks	397,327	522,799	\$ 1.90	\$ 2.50

Distribution of cash from capital surplus of NT\$125,472 thousand (i.e., NT\$0.6 per share) was approved in the Board of Directors' meeting on February 22, 2023.

Please refer to Note 6(23) for information on the accrual basis and the amounts recognized for compensation to employees and remuneration to directors.

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

D. Non-controlling interests (NCI)

	Six Months Ended June 30	
	2023	2022
Beginning balance	\$ 144,043	\$ 148,097
Net (loss) income attributable to NCIs	(27,336)	1,434
Other comprehensive income attributable to NCIs:		
Exchange differences arising on translation of foreign operations	(1,247)	386
Others	-	4,451
Ending balance	\$ 115,460	\$ 154,368

(19) Share-based payments

The Group's employees are entitled to receive share-based payments as part of their compensation. Transactions are accounted for as equity-settled share-based payment transactions where employees provide services as consideration for equity instruments.

A. Employee share-based payment plan of the parent company

The parent company issued employees stock options of 3,000 units on February 22, 2023. Each unit is entitled to 1,000 common stocks of the parent company. Parties eligible to receive the options include employees of the parent company or the subsidiaries who met certain conditions. Exercise price of the option is the closing price of the parent company's stocks on the grant date. Employees can exercise their options two years after the grant date by the vesting schedule. The Company would issue new shares for settlement when employees exercise their options.

The Black-Scholes-Merton pricing model is used to estimate the fair value of options on the grant date. Parameters and assumptions applied take into account the terms and conditions of the contract.

The options have a duration of five years and cash settlement is not an alternative. The Group has never adopted cash settlement for options granted under such plans in the past.

Details of the aforementioned share-based payment plan are as follows:

Grant Date	Total Unit (in Thousands)	Exercise Price per Unit (NT\$)
2023.2.22	3,000	42.30

For share-based payment plan granted in the six months ended June 30, 2023, assumptions used in the pricing model for estimating the fair value of options on the grant date were as follows:

	2023.2.22
Dividend yield ratio (%)	0%
Expected volatility (%)	28.80%~29.49%
Risk-free interest rate (%)	1.15%~1.16%
Expected option life (year)	3.5~4.0
Pricing model	Black-Scholes-Merton option pricing model
Weighted average fair value of options granted during the period (NT\$)	10.12

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

Details of the parent company's employee option plan were as follows:

	Six Months Ended June 30, 2023			
	No. of Options Outstanding (in thousands)	Weighted Average Exercise Price (NT\$)	Range of Exercise Price (NT\$)	Weighted Average Remaining Life (Year)
Outstanding at beginning of period	-	\$ -		
Granted	3,000	42.30		
Forfeited	-	-		
Exercised	-	-		
Expired	-	-		
Outstanding at end of period	3,000	42.30	\$ 42.30	4.58
Exercisable at end of period	-	-		

B. Expenses of the share-based payment plan were as follows:

	Six Months Ended June 30, 2023
Expenses recognized for the share-based payment transactions (equity-settled share-based payments)	\$ 5,224

(20) Operating revenue

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Revenue from sale of goods	\$ 2,079,535	\$ 2,305,050	\$ 3,482,113	\$ 4,489,222
Contract balances:				
	June 30, 2023	December 31, 2022	June 30, 2022	December 31, 2021
Contract liabilities - current				
Sale of goods	\$ 1,913	\$ 758	\$ 1,430	\$ 1,853

Beginning balance of contract liabilities reclassified to revenue amounted to NT\$758 thousand and NT\$1,780 thousand for the six months ended June 30, 2023 and 2022, respectively.

(21) Expected credit gain (loss)

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Operating expenses - expected credit gain (loss)				
Accounts receivable	\$ 4,467	\$ (4,142)	\$ 5,036	\$ (4,144)

Please refer to Note 12 for information concerning credit risk.

For receivables (including notes and accounts receivables), the Group measured the loss allowance at an amount equal to lifetime expected credit losses. The assessment on the loss allowance as of June 30, 2023, December 31, 2022 and June 30, 2022 was as follows:

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

June 30, 2023

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 3,194,093	\$ 61,068	\$ 1,891	\$ 26,391	\$ 3,283,443
Loss ratio	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	14,469	2,064	378	26,391	43,302
Subtotal	\$ 3,179,624	\$ 59,004	\$ 1,513	\$ -	\$ 3,240,141

December 31, 2022

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 3,625,965	\$ 83,993	\$ -	\$ 33,187	\$ 3,743,145
Loss ratio	0%~1%	3%~10%	20%~50%	50%~100%	
Lifetime expected credit losses	13,978	2,675	-	33,183	49,836
Subtotal	\$ 3,611,987	\$ 81,318	\$ -	\$ 4	\$ 3,693,309

June 30, 2022

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

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

The movements in the loss allowance for receivables in the six months ended June 30, 2023 and 2022 were as follows:

	Receivables
Balance as of January 1, 2023	\$ 49,836
Reversed in the current period	(5,036)
Write off	(506)
Effect of exchange rate changes	(992)
Balance as of June 30, 2023	\$ 43,302

  

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

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

(22) Leases

A. The Group being a lessee

The Group leases various assets. 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 Group were as follows:

(a) Amounts recognized in the balance sheets

i. Right-of-use assets

Carrying amount of right-of-use assets

	June 30, 2023	December 31, 2022	June 30, 2022
Land	\$ 328,565	\$ 335,939	\$ 340,913
Buildings	19,190	23,595	11,127
Transportation equipment	23,858	21,914	21,661
Total	<u>\$ 371,613</u>	<u>\$ 381,448</u>	<u>\$ 373,701</u>

The Group's right-of-use assets increased by NT\$7,840 thousand and NT\$11,874 thousand for the six months ended June 30, 2023 and 2022, respectively.

ii. Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Current	\$ 21,189	\$ 21,926	\$ 17,756
Non-current	253,506	259,844	251,807
Lease liabilities	<u>\$ 274,695</u>	<u>\$ 281,770</u>	<u>\$ 269,563</u>

Please refer to Note 6(24)D Finance costs for details on interest expenses of lease liabilities for the six months ended June 30, 2023 and 2022 and Note 12(5) Liquidity risk management for the maturity analysis on lease liabilities as of June 30, 2023 and 2022.

(b) Amounts recognized in the statements of comprehensive income

Depreciation of right-of-use assets

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Land	\$ 2,119	\$ 2,130	\$ 4,249	\$ 4,267
Buildings	870	1,580	5,469	3,145
Transportation equipment	2,519	2,123	4,800	4,025
Total	<u>\$ 5,508</u>	<u>\$ 5,833</u>	<u>\$ 14,518</u>	<u>\$ 11,437</u>

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

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

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Expense of short-term leases	\$ 19,929	\$ 21,088	\$ 44,071	\$ 35,811
Expense of leases of low value assets (excluding short-term leases of low value assets)	935	1,173	1,892	3,590

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

The Group's cash outflows from leases amounted to NT\$64,219 thousand and NT\$50,785 thousand for the six months ended June 30, 2023 and 2022, respectively.

(e) Other information associated with leasing activities

Options to extend or terminate the lease

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

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

Function  Nature	Three Months Ended June 30					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	123,392	116,601	239,993	153,628	131,477	285,105
Labor and health insurance	13,480	9,591	23,071	13,827	9,186	23,013
Pension	5,779	4,504	10,283	6,222	4,517	10,739
Remuneration to directors	-	3,388	3,388	-	6,603	6,603
Other employee benefits expense	14,643	7,938	22,581	16,617	8,443	25,060
Depreciation	88,612	17,158	105,770	84,567	16,173	100,740
Amortization	828	4,934	5,762	735	5,117	5,852

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

Function  Nature	Six Months Ended June 30					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	225,650	212,792	438,442	287,446	252,435	539,881
Labor and health insurance	28,678	20,174	48,852	28,884	19,034	47,918
Pension	11,870	9,097	20,967	12,635	9,023	21,658
Remuneration to directors	-	3,479	3,479	-	12,463	12,463
Other employee benefits expense	27,248	15,761	43,009	31,506	16,037	47,543
Depreciation	177,365	36,727	214,092	164,178	32,294	196,472
Amortization	1,625	9,939	11,564	1,476	10,127	11,603

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.

Based on profitability, the compensation to employees and remuneration to directors accrued were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Compensation to employees	\$ 11,775	\$ 23,555	\$ 11,775	\$ 44,646
Remuneration to directors	3,220	6,443	3,220	12,209

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 and 2021 compensation to employees and remuneration to directors resolved in the Board of Directors' meetings on February 22, 2023 and February 23, 2022, respectively, was as follows:

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

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

The amounts resolved for distribution were not significantly different from the amounts recognized as expenses in the financial statements for the years ended December 31, 2022 and 2021.

Information on the aforementioned compensation to employees and remuneration to directors is available at the Market Observation Post System website.

(24) Non-operating income and expenses

A. Interest income

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Interest income	\$ 10,443	\$ 2,072	\$ 15,343	\$ 4,288

B. Other income

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Other income	\$ 3,199	\$ 3,291	\$ 12,276	\$ 6,849

C. Other gains and losses

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Loss on disposal of property, plant and equipment	\$ (229)	\$ (80)	\$ (287)	\$ (587)
Foreign exchange gain (loss), net	5,767	73,422	(9,684)	223,085
Gain (loss) on financial assets (liabilities) at fair value through profit or loss, net	1,637	(21,902)	2,595	(57,218)
Gain on disposal of investments accounted for using the equity method	382	20,182	708	39,846
Other losses	(523)	(7,072)	(1,421)	(13,399)
Total	\$ 7,034	\$ 64,550	\$ (8,089)	\$ 191,727

D. Finance costs

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Interest on bank loans	\$ (1,623)	\$ (2,159)	\$ (3,905)	\$ (5,581)
Interest on lease liabilities	(1,258)	(1,313)	(2,529)	(2,644)
Interest on bonds payable	(4,519)	(4,477)	(9,028)	(8,943)
Total	\$ (7,400)	\$ (7,949)	\$ (15,462)	\$ (17,168)



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

E. Components of other comprehensive income

For the three months ended June 30, 2023

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	\$ (19,645)	\$ -	\$ (19,645)	\$ -	\$ (19,645)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(114,402)	-	(114,402)	22,881	(91,521)
Total	<u>\$ (134,047)</u>	<u>\$ -</u>	<u>\$ (134,047)</u>	<u>\$ 22,881</u>	<u>\$ (111,166)</u>

For the three months ended June 30, 2022

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

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

For the six months ended June 30, 2023

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	\$ 67,222	\$ -	\$ 67,222	\$ -	\$ 67,222
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(85,673)	-	(85,673)	17,135	(68,538)
Total	<u>\$ (18,451)</u>	<u>\$ -</u>	<u>\$ (18,451)</u>	<u>\$ 17,135</u>	<u>\$ (1,316)</u>

For the six months ended June 30, 2022

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

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

(25) Income tax

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

Income tax recognized in profit or loss

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current income tax expense:				
Current income tax payable	\$ 20,576	\$ 67,859	\$ 20,819	\$ 97,888
Income tax adjustments on prior years	4,524	(21)	(27,558)	140
Effect of exchange rate changes	908	130	964	(39)
Deferred income tax expense (benefit):				
Income tax expense (benefit) relating to origination and reversal of temporary differences	11,580	(4,327)	31,546	20,331
Income tax expense (benefit)	<u>\$ 37,588</u>	<u>\$ 63,641</u>	<u>\$ 25,771</u>	<u>\$ 118,320</u>

Income tax recognized in other comprehensive income

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Deferred income tax expense (benefit):				
Exchange differences arising on translation of foreign operations	\$ (22,881)	\$ (10,924)	\$ (17,135)	\$ 11,183
Income tax (benefit) expense relating to components of other comprehensive income	<u>\$ (22,881)</u>	<u>\$ (10,924)</u>	<u>\$ (17,135)</u>	<u>\$ 11,183</u>

B. Assessment of income tax returns:

As of June 30, 2023, the assessment of the Group's income tax returns in ROC was as follows:

	<u>Assessment of Income Tax Returns</u>
The Company	Assessed and approved up to 2021 (Returns for 2020 were pending for approval)
Subsidiary - Koatech Technology Corporation	Assessed and approved up to 2021
Subsidiary - Taichem Materials Co., Ltd.	Assessed and approved up to 2020

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

(26) Earnings per share (EPS)

Three Months Ended June 30, 2023			
	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 parent	\$ 138,696	209,120	\$ 0.66
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	3,616	38,460	
Employee compensation - stock	-	269	
Employee stock options	-	3,007	
Net income attributable to common shareholders of the parent and effect of potential common stocks	\$ 142,312	250,856	\$ 0.57
Three Months Ended June 30, 2022			
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the parent	\$ 225,090	209,120	\$ 1.07
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	3,581	36,361	
Employee compensation - stock	-	529	
Net income attributable to common shareholders of the parent and effect of potential common stocks	\$ 228,671	246,010	\$ 0.93
Six Months Ended June 30, 2023			
	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 parent	\$ 93,123	209,120	\$ 0.45
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	7,222	38,460	
Employee compensation - stock	-	269	
Employee stock options	-	3,007	
Net income attributable to common shareholders of the parent and effect of potential common stocks	\$ 100,345	250,856	\$ 0.40

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

	Six Months Ended June 30, 2022		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the parent	\$ 433,541	209,120	\$ 2.07
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	7,154	36,361	
Employee compensation - stock	-	1,002	
Net income attributable to common shareholders of the parent and effect of potential common stocks	\$ 440,695	246,483	\$ 1.79

7. Related Party Transactions

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

Names and relationships

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

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

(1) Prepayments

	June 30, 2023	December 31, 2022	June 30, 2022
Innatech	\$ 1,999	\$ 150	\$ 1,937
SINYA Network	13	90	167
Total	\$ 2,012	\$ 240	\$ 2,104

(2) Other payables - related parties

	June 30, 2023	December 31, 2022	June 30, 2022
Innatech	\$ 231	\$ 2,877	\$ 443
SINYA Digital	172	941	1,530
SINYA Network	-	-	55
Total	\$ 403	\$ 3,818	\$ 2,028

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

(3) Property transaction

Acquisition of property, plant and equipment

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Innatech	\$ -	\$ -	\$ 2,300	\$ -

Acquisition of intangible assets

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Innatech	\$ -	\$ 202	\$ -	\$ 202

(4) Others

Rental income

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Geckos	\$ -	\$ 500	\$ -	\$ 1,250

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

General and administrative expenses

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Innatech	\$ 660	\$ 1,275	\$ 1,937	\$ 2,453
SINYA Network	-	53	-	2,260
SINYA Digital	118	373	503	445
Total	\$ 778	\$ 1,701	\$ 2,440	\$ 5,158

(5) Compensation to key management of the Group

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 17,189	\$ 15,166	\$ 53,870	\$ 42,793
Post-employment benefits	462	184	914	374
Total	\$ 17,651	\$ 15,350	\$ 54,784	\$ 43,167

8. Pledged Assets

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

	Carrying Amount			
	June 30, 2023	December 31, 2022	June 30, 2022	Purpose of Pledge
Time deposits (Note)	\$ 42,517	\$ 43,147	\$ 43,319	Customs guarantee
Land	100,843	100,843	100,843	Long-term loans

(Continued)

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

	Carrying Amount			Purpose of Pledge
	June 30, 2023	December 31, 2022	June 30, 2022	
Buildings	\$ 93,184	\$ 96,198	\$ 95,488	Letter of credit, short-term credit facilities and long-term loans
Total	<u>\$ 236,544</u>	<u>\$ 240,188</u>	<u>\$ 239,650</u>	

(Concluded)

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

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Details of the Group's unused letters of credit as of June 30, 2023 were as follows:

	L / C Balance	
NTD	NT\$	1,457 thousand
JPY	JPY	81,920 thousand
USD	US\$	9,668 thousand

(2) Guaranteed notes issued by the Group amounted to NT\$24,000 thousand as of June 30, 2023. 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

	June 30, 2023	December 31, 2022	June 30, 2022
Financial assets at fair value through profit or loss:			
Mandatorily at fair value through profit or loss	\$ 31,600	\$ 26,925	\$ 26,604
Financial assets at fair value through other comprehensive income	322,911	255,689	301,425
Financial assets at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	2,506,113	2,263,591	2,413,408
Financial assets at amortized cost	-	30,743	49,800
Receivables	3,292,016	3,730,180	4,430,260
Other financial assets - current	42,517	43,147	43,319

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

Financial liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Financial liabilities at fair value through profit or loss:			
Held for trading	\$ 2,222	\$ 4,406	\$ 7,368
Designated as at fair value through profit or loss	11,672	16,730	14,201
Financial liabilities at amortized cost:			
Short-term loans	81,428	255,000	150,000
Payables	2,516,952	1,422,413	2,986,162
Bonds payable (including current portion)	1,882,428	1,873,400	1,864,415
Long-term loans (including current portion)	168,548	374,476	589,205
Lease liabilities (current and non-current)	274,695	281,770	269,563

(2) Objectives and policies of financial risk management

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

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

(3) Market risk

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

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

A. Foreign currency risk

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

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



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

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

B. Interest rate risk

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

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

C. Equity price risk

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

A 5% increase/decrease in the prices of listed companies' stocks classified as at fair value through profit or loss could cause the profit or loss for the six months ended June 30, 2023 and 2022 to increase/decrease by NT\$1,337 thousand and NT\$1,311 thousand, respectively.

A 5% increase/decrease in the prices of listed companies' stocks classified as at fair value through other comprehensive income could cause the comprehensive income for the six months ended June 30, 2023 and 2022 to increase/decrease by NT\$16,146 thousand and NT\$15,071 thousand, respectively.

D. Pre-tax sensitivity analysis for the six months ended June 30, 2023 and 2022 was as follows:

For the six months ended June 30, 2023

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$12,178 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ NT\$ 5,767 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- NT\$ 2,256 thousand

For the six months ended June 30, 2022

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

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

(4) Credit risk management

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

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

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>June 30, 2023</u>					
Borrowings	\$ 99,308	\$ 134,492	\$ 16,052	\$ 5,922	\$ 255,774
Payables	2,516,952	-	-	-	2,516,952
Convertible bonds	-	1,945,300	-	-	1,945,300
Lease liabilities	20,597	29,030	19,965	271,062	340,654
<u>December 31, 2022</u>					
Borrowings	\$ 319,187	\$ 257,059	\$ 58,915	\$ 9,936	\$ 645,097
Payables	1,422,413	-	-	-	1,422,413
Convertible bonds	-	1,945,300	-	-	1,945,300
Lease liabilities	22,692	29,553	19,387	279,581	351,213
<u>June 30, 2022</u>					
Borrowings	\$ 214,288	\$ 445,300	\$ 69,617	\$ 13,901	\$ 743,106
Payables	2,986,162	-	-	-	2,986,162
Convertible bonds	-	-	1,945,300	-	1,945,300
Lease liabilities	17,756	24,478	17,148	279,636	339,018

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

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>June 30, 2023</u>					
Inflows	\$ -	\$ -	\$ -	\$ -	\$ -
Outflows	-	-	-	-	-
Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2022

Inflows	\$ 670,514	\$ -	\$ -	\$ -	\$ 670,514
Outflows	678,088	-	-	-	678,088
Net	<u>\$ (7,574)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,574)</u>

June 30, 2022

Inflows	\$ 876,316	\$ -	\$ -	\$ -	\$ 876,316
Outflows	887,262	-	-	-	887,262
Net	<u>\$ (10,946)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,946)</u>

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the six months ended June 30, 2023:

	Short-term Loans	Long-term Loans	Lease Liabilities	Guarantee Deposits Received	Bonds Payable	Total Liabilities from Financing Activities
As of January 1, 2023	\$ 255,000	\$ 374,476	\$ 281,770	\$ 255	\$ 1,873,400	\$ 2,784,901
Cash flows	(173,572)	(205,928)	(18,256)	10,804	-	(386,952)
Non-cash movements	-	-	11,181	-	9,028	20,209
As of June 30, 2023	<u>\$ 81,428</u>	<u>\$ 168,548</u>	<u>\$ 274,695</u>	<u>\$ 11,059</u>	<u>\$ 1,882,428</u>	<u>\$ 2,418,158</u>

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

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

(7) Fair values of financial instruments

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

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

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

- (a) The carrying amount of cash and cash equivalents, receivables, short-term loans, payables and other current liabilities approximates their fair value due to short maturity terms.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on quoted market prices (e.g., listed equity securities).
- (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 of non-option derivatives is determined by the quoted price of the counterparty or the discounted cash flow analysis using the applicable yield curve for the contract duration. As for option derivatives, the quoted price of the counterparty or the appropriate option pricing models (e.g., the Black-Sholes model or the binomial tree evaluation model of convertible bonds) are adopted to calculate the fair value.

B. Fair value of financial instruments measured at amortized cost

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

C. Information on the fair value hierarchy of financial instruments

Please refer to Note 12(9) for details.

(8) Derivative instruments

As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group's derivative instruments that were not eligible for hedge accounting and were outstanding were listed as follows:

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

Currency	Contract Period	Contract Amount (in thousands)
<u>June 30, 2023</u>		
Sell RMB/Buy NTD	2023.04~2023.10	RMB 60,000/NT\$ 260,826
Sell USD/Buy NTD	2023.05~2023.08	US\$ 5,000/NT\$ 152,686
<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>June 30, 2022</u>		
Sell RMB/Buy NTD	2022.02~2022.12	RMB150,000/NT\$ 657,696
Sell USD/Buy NTD	2022.05~2022.08	US\$ 6,000/NT\$ 176,497

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

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

Currency	Contract Period	Contract Amount (in thousands)
<u>June 30, 2023</u>		
Sell RMB/Buy NTD	2023.04~2023.08	RMB 6,000/NT\$ 26,406
<u>December 31, 2022</u>		
Sell RMB/Buy NTD	2022.12~2023.04	RMB 6,000/NT\$ 26,284
<u>June 30, 2022</u>		
Sell RMB/Buy NTD	2022.04~2022.09	RMB 9,600/NT\$ 42,123

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

Embedded derivative instruments

Embedded derivative instruments identified from convertible bonds were separated from the host contract and measured at fair value through profit or loss. Please refer to Note 6(15) for 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 Group does not have assets that are measured at fair value on a non-recurring basis. The fair value hierarchy of assets and liabilities measured at a recurring basis was disclosed as follows:

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

	Level 1	Level 2	Level 3	Total
<u>June 30, 2023</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 4,126	\$ -	\$ 4,126
Foreign exchange swap contracts	-	738	-	738
Stocks	26,736	-	-	26,736
Financial assets at fair value through other comprehensive income	322,911	-	-	322,911
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	2,222	-	2,222
Embedded derivative instruments	-	-	11,672	11,672
<u>December 31, 2022</u>				
Assets measured at fair value:				
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
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	4,339	-	4,339
Foreign exchange swap contracts	-	67	-	67
Embedded derivative instruments	-	-	16,730	16,730
<u>June 30, 2022</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 378	\$ -	\$ 378
Stocks	26,226	-	-	26,226
Financial assets at fair value through other comprehensive income	301,425	-	-	301,425
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	6,987	-	6,987
Foreign exchange swap contracts	-	381	-	381
Embedded derivative instruments	-	-	14,201	14,201

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

For the six months ended June 30, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value hierarchy.

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

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

	June 30, 2023			December 31, 2022		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 69,785	31.158	\$ 2,174,361	\$ 85,105	30.743	\$ 2,616,397
RMB	139,042	4.2852	595,821	153,825	4.4126	678,770
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 30,703	31.158	\$ 956,644	\$ 15,577	30.743	\$ 478,896
JPY	161,910	0.2151	34,827	116,597	0.2326	27,120
RMB	4,467	4.2852	19,142	5,181	4.4126	22,863
	June 30, 2022					
	Foreign Currencies (in thousands)	Exchange Rate	NTD			
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 98,283	29.733	\$ 2,922,248			
RMB	36,687	4.4415	162,944			
JPY	300,522	0.2182	65,574			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 39,330	29.733	\$ 1,169,399			
JPY	172,628	0.2182	37,667			

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

As entities within the Group transact in various currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. For the three months and six months ended June 30, 2023 and 2022, the Group's foreign exchange gain (loss) amounted to NT\$5,767 thousand, NT\$73,422 thousand, NT\$(9,684) thousand and NT\$223,085 thousand, respectively.

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

(11) Capital management

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

13. Additional Disclosures

(1) Information on significant transactions and investees

- A. Financing provided to others: Please refer to Table 1.
- B. Endorsement/guarantee provided to others: Please refer to Table 2.
- C. Marketable securities held as of June 30, 2023 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.
- D. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the six months ended June 30, 2023: None.
- E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the six months ended June 30, 2023: None.
- F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the six months ended June 30, 2023: None.
- G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the six months ended June 30, 2023: Please refer to Table 4.
- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of June 30, 2023: Please refer to Table 5.
- I. Direct or indirect significant influence or control over the investees for the six months ended June 30, 2023 (excluding investments in mainland China): Please refer to Table 6.
- J. Derivative financial instrument transactions: Please refer to Note 12.
- K. Others: intercompany relationships and significant intercompany transactions for the six months ended June 30, 2023: Please refer to Table 8.

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

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

14. Operating Segments

For management purposes, the Group is organized into operating segments based on business units with independent operations at each region. The two reportable operating segments are as follows:

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

The overseas segment owns manufacturing and sales functions.

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



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

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

Segment income (loss)

For the three months ended June 30, 2023

	General Management	Overseas	Adjustment and Elimination (Note)	Total
Revenue				
External customer	\$ 1,478,152	\$ 601,383	\$ -	\$ 2,079,535
Inter-segment	412,764	313,306	(726,070)	-
Total revenue	<u>\$ 1,890,916</u>	<u>\$ 914,689</u>	<u>\$ (726,070)</u>	<u>\$ 2,079,535</u>
Segment income (before income tax)	<u>\$ 165,584</u>	<u>\$ 3,186</u>	<u>\$ (9,005)</u>	<u>\$ 159,765</u>

Note: Inter-segment revenues were eliminated upon consolidation.

For the three months ended June 30, 2022

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

Note: Inter-segment revenues were eliminated upon consolidation.

For the six months ended June 30, 2023

	General Management	Overseas	Adjustment and Elimination (Note)	Total
Revenue				
External customer	\$ 2,396,411	\$ 1,085,702	\$ -	\$ 3,482,113
Inter-segment	731,370	531,530	(1,262,900)	-
Total revenue	<u>\$ 3,127,781</u>	<u>\$ 1,617,232</u>	<u>\$ (1,262,900)</u>	<u>\$ 3,482,113</u>
Segment income (loss) (before income tax)	<u>\$ 53,800</u>	<u>\$ (12,341)</u>	<u>\$ 50,099</u>	<u>\$ 91,558</u>

Note: Inter-segment revenues were eliminated upon consolidation.

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

For the six months ended June 30, 2022

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

Note: Inter-segment revenues were eliminated upon consolidation.

Assets of the Group's operating segments as of June 30, 2023, December 31, 2022 and June 30, 2022 were summarized below:

	General Management	Overseas	Adjustment and Elimination	Total
As of June 30, 2023	<u>\$ 9,139,716</u>	<u>\$ 5,518,414</u>	<u>\$ (1,716,233)</u>	<u>\$ 12,941,897</u>
As of December 31, 2022	<u>\$ 9,294,876</u>	<u>\$ 5,304,980</u>	<u>\$ (1,752,329)</u>	<u>\$ 12,847,527</u>
As of June 30, 2022	<u>\$ 10,586,161</u>	<u>\$ 6,194,186</u>	<u>\$ (2,547,399)</u>	<u>\$ 14,232,948</u>

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.	Taichem Materials Co., Ltd.	Other receivables - related parties	Y	\$ 80,000	\$ 80,000	\$ -	0.50%~2.00%	2	-	Operating capital	-	-	-	\$ 1,496,706	\$ 2,993,412	(Note 7)
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	249,264	249,264	-	1.70%~4.00%	2	-	Operating capital	-	-	-	1,496,706	2,993,412	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	155,790	155,790	-	1.70%~4.00%	2	-	Operating capital	-	-	-	1,496,706	2,993,412	(Note 7)
1	Kunshan Taiflex Electronic Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	88,960	85,704	-	2.00%~4.00%	2	-	Operating capital	-	-	-	751,863	751,863	(Note 9)
1	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	622,720	599,928	514,224	2.00%~4.00%	2	-	Operating capital	-	-	-	751,863	751,863	(Note 9)
2	Koatech Technology Corporation	Kunshan Koatech Technology Corporation	Other receivables - related parties	Y	90,689	89,989	67,026	0.00%~4.00%	2	-	Operating capital	-	-	-	122,512	122,512	(Note 10)

Note 1: Companies are coded as follows:

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

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

Note 2: Receivables from affiliates and related parties, shareholder transactions, prepayments, temporary payments, etc. are required to be disclosed in this field if they are financing provided to others.

Note 3: The maximum balance of financing provided to others for the six months ended June 30, 2023.

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 a 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 a 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: For financing to offshore companies that the financing company holds, either directly and indirectly, 100% of the voting rights, both the financing provided to a single entity and the total financing shall not exceed 40% of the financing company's net worth in the most recent financial statements audited or reviewed by CPAs.

Note 11: 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 12: 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	\$ 3,741,765	\$ 529,686	\$529,686	\$ 6,196	\$ -	7.08%	\$ 3,741,765	Y	N	Y
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Thailand) Co., Ltd.	2	3,741,765	467,370	467,370	-	-	6.25%		Y	N	N
0	Taiflex Scientific Co., Ltd.	Taiflex Green Power Co., Ltd.	2	3,741,765	230,000	230,000	-	-	3.07%		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 six months ended June 30, 2023.

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

Note 6: This is the ending balance after evaluation.

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

TABLE 3: MARKETABLE SECURITIES HELD AS OF JUNE 30, 2023 (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

(In Thousands of New Taiwan Dollars)

Holder of Marketable Securities	Type of Marketable Securities (Note 1)	Name of Marketable Securities (Note 1)	Relationship with the Issuer (Note 2)	Financial Statement Account	June 30, 2023				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	322,911	6.90%	322,911	-
	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	\$ 392,994	13.28%	Monthly settlement with payment in 180 days	-	-	\$ 320,614	13.93%	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	163,928	5.54%	Monthly settlement with payment in 90 days	-	-	112,274	4.88%	-
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	392,994	48.94%	Monthly settlement with payment in 180 days	-	-	(320,614)	(39.11%)	-
Shenzhen Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	Purchases	406,352	50.61%	Monthly settlement with payment in 180 days	-	-	(493,362)	(60.18%)	-
Kunshan Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	163,928	67.50%	Monthly settlement with payment in 90 days	-	-	(112,274)	(48.29%)	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	Sales	406,352	81.65%	Monthly settlement with payment in 180 days	-	-	493,362	80.18%	-

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	\$ 320,614	2.01	-	-	\$ 64,287	-	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	112,274	3.34	-	-	-	-	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	493,362	1.78	-	-	37,788	-	-
Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	The company's associate	114,280	1.55	-	-	13,900	-	-
Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	514,224	(Note 1)	-	-	-	-	-

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

TABLE 6: INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE OR CONTROL DIRECTLY OR INDIRECTLY (EXCLUDING INVESTEEES IN MAINLAND CHINA)

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2023			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				June 30, 2023	December 31, 2022	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%	\$ 760,370	\$ (39,013)	\$(39,013)	(Note 2)
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	664	3	3	-
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	320,761	320,761	16,124	52.97%	214,265	(58,125)	(30,789)	-
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	89,345	93,309	3,449	13.09%	22,597	(28,782)	(3,864)	-
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	484,693	1,858	(2,885)	(Note 2)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	1,316,239	1,316,239	44,000	73.94%	1,466,555	7,129	5,271	-
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	14,514	172	172	-
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	8,820	1	100.00%	10,706	259	259	-
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor materials	246,000	246,000	17,000	100.00%	245,412	13,549	13,574	(Note 1)
Taiflex Scientific Co., Ltd.	Taiflex Green Power Co., Ltd.	Taiwan	Generation and selling of electricity from renewables	50,000	50,000	5,000	100.00%	51,076	464	468	(Note 1)
Taiflex Scientific Co., Ltd.	Taiflex Scientific (Thailand) Co., Ltd.	Thailand	Manufacturing and selling of electronic materials	748,158	425,846	86,131	100.00%	752,187	(1,873)	(1,873)	-
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	26.06%	516,961	7,129	1,858	-
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	751,935	(31,449)	(31,449)	-
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	113,517	113,517	3,960	100.00%	90,672	(13,642)	(13,642)	-
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	113,368	113,368	3,955	100.00%	88,869	(13,642)	(13,642)	-

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)

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, 2023	Investment Flows		Accumulated Outflows of Investment from Taiwan as of June 30, 2023	Profit/Loss of Investee	Ownership Percentage (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of June 30, 2023	Accumulated Inward Remittances of Earnings as of June 30, 2023
						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	\$ (31,449)	100.00%	\$ (31,449)	\$ 751,863	\$ 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	6,783	100.00%	6,783	1,269,853	-
	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	345	100.00%	345	713,597	-
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	113,219	-	-	113,219	(13,642)	52.97%	(7,226)	47,068	-
Accumulated Outflows of Investment from Taiwan to Mainland China as of June 30, 2023					Investment Amounts Authorized by the Investment Commission, MOEA					Upper Limit of 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 4.
- (2) Sales and ending balance of related receivables and their weightings: see Tables 4 and 5.
- (3) The transaction amount and gain or loss arising from property transactions: N/A.
- (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 of 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 SIX MONTHS ENDED JUNE 30, 2023 (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	\$ 392,994	General trading terms	11.29%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	320,614	General trading terms	2.48%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Sales revenue	163,928	General trading terms	4.71%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Accounts receivable	112,274	General trading terms	0.87%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Accounts receivable	45,392	General trading terms	0.35%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Other receivables	26,855	General trading terms	0.21%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Sales revenue	44,723	General trading terms	1.28%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Sales revenue	25,716	General trading terms	0.74%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Accounts receivable	27,009	General trading terms	0.21%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Other receivables	47,513	General trading terms	0.37%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Sales revenue	406,352	General trading terms	11.67%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Accounts receivable	493,362	General trading terms	3.81%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Sales revenue	86,268	General trading terms	2.48%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Accounts receivable	114,280	General trading terms	0.88%
2	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	3	Other receivables	514,224	Financing, with terms agreed by both parties	3.97%
3	Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	2	Sales revenue	98,350	General trading terms	2.82%
3	Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	2	Accounts receivable	28,989	General trading terms	0.22%
4	Koatech Technology Corporation	Kunshan Koatech Technology Corporation	3	Other receivables	67,026	Financing, with terms agreed by both parties	0.52%
4	Koatech Technology Corporation	Kunshan Koatech Technology Corporation	3	Accounts receivable	31,290	General trading terms	0.24%

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

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

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

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

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

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

Note 4: Eliminated upon consolidation.

TABLE 9: INFORMATION ON MAJOR SHAREHOLDERS

(In Shares)

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

Note 1: Major shareholders in the table above are shareholders owning 5% or more of the Company's common and preferred stocks (only the ones that have completed dematerialized registration and delivery, and include treasury stocks) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter. The amount of capital in the financial statements may differ from the Company's actual number of stocks that have completed dematerialized registration and delivery due to different calculation bases.

Note 2: Where the stocks are entrusted by shareholders, information is disclosed by the individual account of settlor who has segregated trust accounts opened by trustees. As for shareholders filing shareholdings of insiders with 10% or more of the Company's stocks pursuant to the securities and exchange laws and regulations, the number of stocks owned shall be the ones owned by the persons plus the ones entrusted where the shareholders have the power to decide how to utilize the trust property. Please access the Market Observation Post System website for information on insiders' shareholding filings.