

**TAIFLEX SCIENTIFIC COMPANY LIMITED  
AND SUBSIDIARIES**

**Consolidated Financial Statements for the  
Nine Months Ended September 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.*

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## **Independent Auditors' Review Report**

To Taiflex Scientific Co., Ltd.

### **Introduction**

We have reviewed the consolidated balance sheets of Taiflex Scientific Co., Ltd. and its subsidiaries (hereinafter referred to as “Taiflex Group”) as of September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the nine 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 September 30, 2023 and 2022, its consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, and its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission.

Ernst & Young, Taiwan

October 25, 2023

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

Assets	Notes	September 30, 2023	December 31, 2022	September 30, 2022
<b>Current assets</b>				
Cash and cash equivalents	4, 6(1)	\$ 1,791,265	\$ 2,264,386	\$ 2,091,815
Financial assets at fair value through profit or loss - current	4, 6(2)	25,055	26,925	27,061
Financial assets at amortized cost - current	4, 6(3)	-	30,743	49,800
Notes receivable, net	4, 6(4)	600,587	702,095	871,403
Accounts receivable, net	4, 6(5)	3,481,884	2,991,214	3,516,836
Other receivables	7	71,157	36,871	47,139
Inventories, net	4, 6(6)	1,765,678	1,770,596	2,200,750
Prepayments		63,224	42,169	51,386
Other current assets	8	48,459	48,121	48,497
Total current assets		<u>7,847,309</u>	<u>7,913,120</u>	<u>8,904,687</u>
<b>Non-current assets</b>				
Financial assets at fair value through other comprehensive income - non-current	4, 6(7)	444,463	255,689	245,253
Investments accounted for using the equity method	4, 6(8)	21,798	27,508	28,294
Property, plant and equipment	4, 6(9)	4,444,459	3,905,972	3,852,690
Right-of-use assets	4, 6(22)	369,763	381,448	372,751
Intangible assets	4, 6(10,12)	153,070	164,049	157,369
Deferred income tax assets		148,479	175,599	185,311
Other non-current assets	4, 6(11)	20,664	24,142	23,245
Total non-current assets		<u>5,602,696</u>	<u>4,934,407</u>	<u>4,864,913</u>
<b>Total assets</b>		<u>\$ 13,450,005</u>	<u>\$ 12,847,527</u>	<u>\$ 13,769,600</u>

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

(Continued)

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

Liabilities and Equity	Notes	September 30, 2023	December 31, 2022	September 30, 2022
<b>Current liabilities</b>				
Short-term loans	6(13)	\$ 122,102	\$ 255,000	\$ 325,000
Financial liabilities at fair value through profit or loss - current	4, 6(14)	15,241	21,136	33,597
Contract liabilities - current	4, 6(20)	1,551	758	1,908
Notes payable		413	402	433
Accounts payable		1,599,455	752,369	1,351,999
Other payables	7	618,281	669,642	658,199
Current income tax liabilities	4, 6(25)	181,377	275,025	250,218
Lease liabilities - current	4, 6(22)	20,118	21,926	18,510
Current portion of long-term loans	6(16)	34,643	69,260	57,857
Other current liabilities		11,059	3,690	11,296
Total current liabilities		<u>2,604,240</u>	<u>2,069,208</u>	<u>2,709,017</u>
<b>Non-current liabilities</b>				
Bonds payable	6(15)	1,886,959	1,873,400	1,868,902
Long-term loans	6(16)	351,499	305,216	543,584
Deferred income tax liabilities		129,471	108,382	140,082
Lease liabilities - non-current	4, 6(22)	250,643	259,844	250,274
Net defined benefit liabilities - non-current	4, 6(17)	159,343	179,147	233,151
Other non-current liabilities	4, 12	11,408	255	255
Total non-current liabilities		<u>2,789,323</u>	<u>2,726,244</u>	<u>3,036,248</u>
Total liabilities		<u>5,393,563</u>	<u>4,795,452</u>	<u>5,745,265</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)	1,023,302	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		3,484,710	3,661,049	3,606,661
Total retained earnings		<u>4,958,777</u>	<u>4,986,445</u>	<u>4,932,057</u>
Others	4	<u>(116,961 )</u>	<u>(310,176 )</u>	<u>(291,210 )</u>
Total equity attributable to shareholders of the parent		<u>7,956,315</u>	<u>7,908,032</u>	<u>7,872,610</u>
Non-controlling interests	4, 6(18)	100,127	144,043	151,725
Total equity		<u>8,056,442</u>	<u>8,052,075</u>	<u>8,024,335</u>
<b>Total liabilities and equity</b>		<u>\$ 13,450,005</u>	<u>\$ 12,847,527</u>	<u>\$ 13,769,600</u>

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

(Concluded)

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

		Three Months Ended September 30		Nine Months Ended September 30	
	Notes	2023	2022	2023	2022
Operating revenue	4, 6(20)	\$ 2,487,012	\$ 2,372,004	\$ 5,969,125	\$ 6,861,226
Operating costs	4, 6(6,23)	(1,858,342)	(1,778,863)	(4,650,318)	(5,182,998)
Gross profit		<u>628,670</u>	<u>593,141</u>	<u>1,318,807</u>	<u>1,678,228</u>
Operating expenses	4, 6(23)				
Sales and marketing expenses		(120,631)	(147,295)	(344,894)	(415,781)
General and administrative expenses		(141,650)	(141,049)	(357,484)	(380,763)
Research and development expenses		(100,931)	(104,195)	(264,653)	(309,739)
Expected credit (loss) gain	6(21)	(3,282)	(857)	1,754	(5,001)
Total operating expenses		<u>(366,494)</u>	<u>(393,396)</u>	<u>(965,277)</u>	<u>(1,111,284)</u>
Operating income		<u>262,176</u>	<u>199,745</u>	<u>353,530</u>	<u>566,944</u>
Non-operating income and expenses	6(24)				
Interest income		3,372	2,171	18,715	6,459
Other income		20,197	17,183	32,473	24,032
Other gains and losses		59,660	113,180	51,571	304,907
Finance costs		(8,012)	(9,082)	(23,474)	(26,250)
Share of profit or loss of associates accounted for using the equity method	4, 6(8)	(627)	(1,217)	(4,491)	(817)
Total non-operating income and expenses		<u>74,590</u>	<u>122,235</u>	<u>74,794</u>	<u>308,331</u>
Income before income tax		<u>336,766</u>	<u>321,980</u>	<u>428,324</u>	<u>875,275</u>
Income tax expense	4, 6(25)	<u>(76,806)</u>	<u>(68,260)</u>	<u>(102,577)</u>	<u>(186,580)</u>
Net income from continuing operations		<u>259,960</u>	<u>253,720</u>	<u>325,747</u>	<u>688,695</u>
Net income		<u>259,960</u>	<u>253,720</u>	<u>325,747</u>	<u>688,695</u>
Other comprehensive income	6(24)				
Items that will not be reclassified subsequently to profit or loss					
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		121,552	(56,172)	188,774	(127,384)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		91,219	35,578	5,546	91,491
Income tax related to items that may be reclassified subsequently to profit or loss		<u>(18,244)</u>	<u>(7,115)</u>	<u>(1,109)</u>	<u>(18,298)</u>
Total other comprehensive income, net of tax		<u>194,527</u>	<u>(27,709)</u>	<u>193,211</u>	<u>(54,191)</u>
Total comprehensive income		<u>\$ 454,487</u>	<u>\$ 226,011</u>	<u>\$ 518,958</u>	<u>\$ 634,504</u>
Net income attributable to:	4, 6(18,26)				
Shareholders of the parent		\$ 276,536	\$ 256,986	\$ 369,659	\$ 690,527
Non-controlling interests		<u>(16,576)</u>	<u>(3,266)</u>	<u>(43,912)</u>	<u>(1,832)</u>
		<u>\$ 259,960</u>	<u>\$ 253,720</u>	<u>\$ 325,747</u>	<u>\$ 688,695</u>
Total comprehensive income attributable to:					
Shareholders of the parent		\$ 469,820	\$ 228,654	\$ 562,874	\$ 635,327
Non-controlling interests		<u>(15,333)</u>	<u>(2,643)</u>	<u>(43,916)</u>	<u>(823)</u>
		<u>\$ 454,487</u>	<u>\$ 226,011</u>	<u>\$ 518,958</u>	<u>\$ 634,504</u>
Earnings per share (NT\$)	4, 6(26)				
Earnings per share - basic		\$ 1.32	\$ 1.23	\$ 1.77	\$ 3.30
Earnings per share - diluted		<u>\$ 1.11</u>	<u>\$ 1.05</u>	<u>\$ 1.50</u>	<u>\$ 2.81</u>

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the Nine Months Ended September 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 nine months ended September 30, 2022					690,527			690,527	(1,832)	688,695
Other comprehensive income (loss) for the nine months ended September 30, 2022						72,184	(127,384)	(55,200)	1,009	(54,191)
Total comprehensive income	-	-	-	-	690,527	72,184	(127,384)	635,327	(823)	634,504
Disposal of investments accounted for using the equity method		(5,207)						(5,207)		(5,207)
Changes in percentage of ownership interests in subsidiaries						(14)		(14)		(14)
Non-controlling interests									4,451	4,451
Balance as of September 30, 2022	\$ 2,091,197	\$ 1,140,566	\$ 1,089,400	\$ 235,996	\$ 3,606,661	\$ (141,604)	\$ (149,606)	\$ 7,872,610	\$ 151,725	\$ 8,024,335
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		48						48		48
Cash dividends from capital surplus		(125,472)						(125,472)		(125,472)
Net income for the nine months ended September 30, 2023					369,659			369,659	(43,912)	325,747
Other comprehensive income (loss) for the nine months ended September 30, 2023						4,441	188,774	193,215	(4)	193,211
Total comprehensive income	-	-	-	-	369,659	4,441	188,774	562,874	(43,916)	518,958
Disposal of investments accounted for using the equity method		(3)						(3)		(3)
Share-based payments		8,163						8,163		8,163
Balance as of September 30, 2023	\$ 2,091,197	\$ 1,023,302	\$ 1,163,891	\$ 310,176	\$ 3,484,710	\$ (166,565)	\$ 49,604	\$ 7,956,315	\$ 100,127	\$ 8,056,442

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

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

	Nine Months Ended September 30	
	2023	2022
Cash flows from operating activities:		
Income before income tax	\$ 428,324	\$ 875,275
Adjustments:		
Non-cash income and expense items:		
Depreciation	324,016	301,864
Amortization	17,374	17,426
Expected credit (gain) loss	(1,754)	5,001
Net loss on financial assets (liabilities) at fair value through profit or loss	11,412	77,611
Interest expense	23,474	26,250
Interest income	(18,715)	(6,459)
Compensation costs of share-based payments	8,163	-
Share of loss of associates accounted for using the equity method	4,491	817
Loss (gain) on disposal of property, plant and equipment	308	(207)
Gain on disposal of investments accounted for using the equity method	(807)	(39,846)
Others	47,333	100,988
Changes in operating assets and liabilities:		
Increase in financial assets mandatorily at fair value through profit or loss	(15,437)	(54,595)
Decrease in notes receivable	101,508	57,901
Increase in accounts receivable	(488,856)	(488,863)
(Increase) decrease in other receivables	(35,772)	3,217
Increase in inventories	(41,775)	(432,994)
(Increase) decrease in prepayments	(23,812)	1,216
(Increase) decrease in other current assets	(236)	779
Decrease (increase) in other non-current assets	5,343	(9,301)
Increase in contract liabilities	793	55
Increase in notes payable	11	64
Increase in accounts payable	847,086	72,696
(Decrease) increase in other payables	(76,496)	54,050
Increase in other current liabilities	7,369	7,467
Decrease in net defined benefit liabilities	(19,804)	(15,538)
Cash generated from operations	1,103,541	554,874
Interest received	20,201	6,620
Interest paid	(7,004)	(8,534)
Income tax paid	(146,368)	(49,222)
Net cash generated by operating activities	\$ 970,370	\$ 503,738

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

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

	Nine Months Ended September 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	2,071	46,419
Acquisition of property, plant and equipment	(817,835)	(811,112)
Disposal of property, plant and equipment	94	927
Increase in refundable deposits	(2,171)	-
Decrease in refundable deposits	-	364
Acquisition of intangible assets	(1,101)	(873)
Increase in other current assets - other financial assets - current	(102)	(1,679)
Net cash used in investing activities	(788,301)	(538,854)
Cash flows from financing activities:		
Decrease in short-term loans	(132,898)	(465,000)
Increase in long-term loans	11,666	-
Repayment of long-term loans	-	(208,279)
Distribution of cash dividends	(522,799)	(522,799)
Increase in guarantee deposits received	11,153	-
Repayment of lease principal	(24,786)	(17,532)
Changes in non-controlling interests	-	4,437
Net cash used in financing activities	(657,664)	(1,209,173)
Effect of exchange rate changes on cash and cash equivalents	2,474	65,703
Net decrease in cash and cash equivalents	(473,121)	(1,178,586)
Cash and cash equivalents at beginning of period	2,264,386	3,270,401
Cash and cash equivalents at end of period	\$ 1,791,265	\$ 2,091,815

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

(Concluded)

# TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 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 nine months ended September 30, 2023 and 2022 were approved and authorized for issue in the Board of Directors’ meeting on October 25, 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 of new standards and amendments does not have any material impact on the Group.

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

No.	Projects of New or Amended Standards and Interpretations	Effective Date
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 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024

#### A. 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.

#### B. 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.

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

C. 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.

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

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

The aforementioned new, revised or amended standards and interpretations are issued by IASB and endorsed by FSC to take effect for annual periods beginning on January 1, 2024. The potential effects of the new, revised or amended standards and interpretations in paragraphs A to D on the Group's financial status and financial performance are under assessment. Relevant impact will be disclosed upon completion of the assessment.

- (3) As of the date of issuance of the financial statements, the Group has not adopted the following new, revised or amended standards and interpretations issued by IASB but not yet endorsed by 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 21	Lack of Exchangeability	January 1, 2025

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

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

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

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

B. IFRS 17 “Insurance Contracts”

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

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

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

C. Lack of Exchangeability (Amendments to IAS 21)

The amendments explain the exchangeability and lack of exchangeability between currencies and how to determine the exchange rate as well as additional disclosures required when a currency is not exchangeable. The amendments will take effect for annual periods beginning on January 1, 2025.

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

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements for the nine months ended September 30, 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.

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The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Ownership Percentage		
			2023.9.30	2022.12.31	2022.9.30
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%
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.

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
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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.

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 nine months ended September 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 nine months ended September 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

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand and petty cash	\$ 884	\$ 795	\$ 833
Bank deposits	1,790,381	2,063,919	2,090,982
Repurchased agreements	-	199,672	-
Total	<u>\$ 1,791,265</u>	<u>\$ 2,264,386</u>	<u>\$ 2,091,815</u>

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
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(2) Financial assets at fair value through profit or loss - current

	September 30, 2023	December 31, 2022	September 30, 2022
Mandatorily at fair value through profit or loss:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ -	\$ 189	\$ 71
- Foreign exchange swap contracts	-	-	-
Stocks	25,055	26,736	26,990
Total	<u>\$ 25,055</u>	<u>\$ 26,925</u>	<u>\$ 27,061</u>

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

(3) Financial assets at amortized cost - current

	September 30, 2023	December 31, 2022	September 30, 2022
Time deposits - current	<u>\$ -</u>	<u>\$ 30,743</u>	<u>\$ 49,800</u>

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

(4) Notes receivable

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable, net	<u>\$ 600,587</u>	<u>\$ 702,095</u>	<u>\$ 871,403</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
Accounts receivable	\$ 3,529,503	\$ 3,041,050	\$ 3,566,394
Less: Loss allowance	(47,619)	(49,836)	(49,558)
Accounts receivable, net	<u>\$ 3,481,884</u>	<u>\$ 2,991,214</u>	<u>\$ 3,516,836</u>

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

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

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(6) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 754,299	\$ 921,077	\$ 1,037,782
Inventories in transit	60,251	23,181	35,980
Supplies	15,505	24,027	27,961
Work in progress	116,233	14,616	101,146
Finished goods	508,242	494,115	647,794
Merchandise	311,148	293,580	350,087
Total	<u>\$ 1,765,678</u>	<u>\$ 1,770,596</u>	<u>\$ 2,200,750</u>

The Group recognized NT\$1,858,342 thousand, NT\$1,778,863 thousand, NT\$4,650,318 thousand and NT\$5,182,998 thousand of operating costs associated with inventories for the three months and nine months ended September 30, 2023 and 2022, respectively; and NT\$36,710 thousand, NT\$20,458 thousand and NT\$83,871 thousand of inventory valuation loss for inventories written down to their net realizable value for the three months ended September 30, 2022 and nine months ended September 30, 2023 and 2022, respectively. Gain on inventory value recovery due to a decrease in allowance for inventory valuation losses from price recovery of inventories with allowance for inventory valuation losses at beginning of period, inventories sold or inventories used amounted to NT\$269 thousand for the three months ended September 30, 2023.

The aforementioned inventories were not pledged.

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

	September 30, 2023	December 31, 2022	September 30, 2022
Investments in equity instruments at fair value through other comprehensive income - non-current:			
Publicly traded stocks	\$ 444,463	\$ 255,689	\$ 245,253
Non-publicly traded stocks	-	-	-
Total	<u>\$ 444,463</u>	<u>\$ 255,689</u>	<u>\$ 245,253</u>

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

(8) Investments accounted for using the equity method

Investee	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	Ownership Percentage	Amount	Ownership Percentage	Amount	Ownership Percentage
Investments in associates:						
Innovision FlexTech Corp.	\$ 21,798	12.97%	\$ 27,508	13.67%	\$ 28,294	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\$33,538 thousand as of September 30, 2023.



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

Investee	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Innovision FlexTech Corp.	\$ (627)	\$ (1,217)	\$ (4,491)	\$ 925
Geckos Technology Corp.	-	-	-	(1,742)
Total	\$ (627)	\$ (1,217)	\$ (4,491)	\$ (817)

- 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:

	September 30, 2023	December 31, 2022	September 30, 2022
Total assets	\$ 344,732	\$ 381,120	\$ 407,214
Total liabilities	\$ 176,669	\$ 179,834	\$ 200,175

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Revenue	\$ 63,260	\$ 44,206	\$ 153,693	\$ 179,195
Net income (loss)	\$ (4,830)	\$ (8,907)	\$ (33,612)	\$ 6,615

(9) Property, plant and equipment

	September 30, 2023	December 31, 2022	September 30, 2022
Owner-occupied property, plant and equipment	\$ 4,444,459	\$ 3,905,972	\$ 3,852,690

A. Owner-occupied property, plant and equipment

	As of January 1, 2023	Addition	Disposal	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of September 30, 2023
<u>Cost</u>							
Land	\$ 327,936	\$ -	\$ -	\$ -	\$ -	\$ 1,302	\$ 329,238
Buildings	1,848,661	116,154	-	-	-	733	1,965,548
Machinery and equipment	3,597,680	220,920	(727)	-	-	826	3,818,699
Hydropower equipment	472,741	13,291	-	-	-	96	486,128
Testing equipment	397,342	6,362	(391)	-	-	57	403,370
Miscellaneous equipment	328,648	48,266	(1,150)	-	-	66	375,830
Total	\$ 6,973,008	\$ 404,993	\$ (2,268)	\$ -	\$ -	\$ 3,080	\$ 7,378,813

(Continued)

**TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES**  
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	As of January 1, 2023	Addition	Disposal	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of September 30, 2023
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 625,397	\$ 69,116	\$ -	\$ -	\$ -	\$ 165	\$ 694,678
Machinery and equipment	2,356,965	168,884	(492)	-	-	236	2,525,593
Hydropower equipment	285,928	17,106	-	-	-	45	303,079
Testing equipment	252,026	24,375	(285)	-	-	50	276,166
Miscellaneous equipment	225,305	22,584	(1,089)	-	-	67	246,867
Total	<u>\$ 3,745,621</u>	<u>\$ 302,065</u>	<u>\$ (1,866)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 563</u>	<u>\$ 4,046,383</u>
Construction in progress and equipment awaiting inspection	678,585	438,833	-	(5,633)	-	244	1,112,029
Net	<u>\$ 3,905,972</u>						<u>\$ 4,444,459</u>
(Concluded)							

	As of January 1, 2022	Addition	Disposal	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of September 30, 2022
<u>Cost</u>							
Land	\$ 100,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,843
Buildings	1,720,051	116,746	-	-	-	12,185	1,848,982
Machinery and equipment	3,260,475	298,995	(7,809)	186	-	8,492	3,560,339
Hydropower equipment	456,946	15,721	-	-	-	1,563	474,230
Testing equipment	381,578	14,767	(799)	(186)	-	846	396,206
Miscellaneous equipment	339,828	29,583	(43,505)	-	-	969	326,875
Total	<u>\$ 6,259,721</u>	<u>\$ 475,812</u>	<u>\$ (52,113)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,055</u>	<u>\$ 6,707,475</u>
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 543,832	\$ 59,373	\$ -	\$ -	\$ -	\$ 862	\$ 604,067
Machinery and equipment	2,148,442	160,150	(7,361)	-	-	1,217	2,302,448
Hydropower equipment	264,442	16,507	-	-	-	238	281,187
Testing equipment	214,785	27,992	(527)	-	-	275	242,525
Miscellaneous equipment	243,399	20,272	(43,505)	-	-	407	220,573
Total	<u>\$ 3,414,900</u>	<u>\$ 284,294</u>	<u>\$ (51,393)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,999</u>	<u>\$ 3,650,800</u>
Construction in progress and equipment awaiting inspection	515,426	290,272	-	(11,546)	-	1,863	796,015
Net	<u>\$ 3,360,247</u>						<u>\$ 3,852,690</u>

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

(10) Intangible assets

	As of January 1, 2023	Addition	Disposal	Reclassification	Effect of Exchange Rate Changes	As of September 30, 2023
<u>Cost</u>						
Trademarks	\$ 762	\$ 41	\$ (176)	\$ -	\$ -	\$ 627
Patents	48,209	243	(13,840)	-	-	34,612
Software cost	266,934	817	(103,297)	4,971	31	169,456
Goodwill	69,781	-	-	-	-	69,781
Total	<u>\$ 385,686</u>	<u>\$ 1,101</u>	<u>\$ (117,313)</u>	<u>\$ 4,971</u>	<u>\$ 31</u>	<u>\$ 274,476</u>
(Continued)						

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	As of January 1, 2023	Addition	Disposal	Reclassification	Effect of Exchange Rate Changes	As of September 30, 2023
<u>Accumulated amortization and impairment</u>						
Trademarks	\$ 542	\$ 43	\$ (176)	\$ -	\$ -	\$ 409
Patents	41,542	595	(13,840)	-	-	28,297
Software cost	179,553	16,411	(103,297)	-	33	92,700
Total	221,637	\$ 17,049	\$ (117,313)	\$ -	\$ 33	121,406
Net	<u>\$ 164,049</u>					<u>\$ 153,070</u>

(Concluded)

	As of January 1, 2022	Addition	Disposal	Reclassification	Effect of Exchange Rate Changes	As of September 30, 2022
<u>Cost</u>						
Trademarks	\$ 732	\$ 106	\$ -	\$ -	\$ -	\$ 838
Patents	47,964	91	-	-	-	48,055
Software cost	243,064	676	-	10,853	210	254,803
Goodwill	69,781	-	-	-	-	69,781
Total	<u>\$ 361,541</u>	<u>\$ 873</u>	<u>\$ -</u>	<u>\$ 10,853</u>	<u>\$ 210</u>	<u>\$ 373,477</u>
<u>Accumulated amortization and impairment</u>						
Trademarks	\$ 486	\$ 42	\$ -	\$ -	\$ -	\$ 528
Patents	40,713	622	-	-	-	41,335
Software cost	157,963	16,091	-	-	191	174,245
Total	199,162	\$ 16,755	\$ -	\$ -	\$ 191	216,108
Net	<u>\$ 162,379</u>					<u>\$ 157,369</u>

(11) Other non-current assets

	September 30, 2023	December 31, 2022	September 30, 2022
Refundable deposits	\$ 15,016	\$ 12,845	\$ 13,183
Other non-current assets - other	5,648	11,297	10,062
Total	<u>\$ 20,664</u>	<u>\$ 24,142</u>	<u>\$ 23,245</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.

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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

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured bank loans	\$ 122,102	\$ 255,000	\$ 325,000

The interest rate ranges of loans were 1.94% to 3.65%, 1.22% to 2.15% and 1.17% to 1.85% and the unused short-term credit facilities amounted to NT\$4,024,008 thousand, NT\$3,560,804 thousand and NT\$3,735,316 thousand as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively.

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

	September 30, 2023	December 31, 2022	September 30, 2022
Held for trading:			
Derivative instruments not designated in a hedging relationship			
- Forward foreign exchange contracts	\$ 6,493	\$ 4,339	\$ 6,573
- Foreign exchange swap contracts	189	67	179
Designated as at fair value through profit or loss:			
- Convertible bonds - put option	8,559	16,730	26,845
Total	\$ 15,241	\$ 21,136	\$ 33,597

(15) Bonds payable

	September 30, 2023	December 31, 2022	September 30, 2022
Overseas unsecured convertible bonds payable	\$ 1,886,959	\$ 1,873,400	\$ 1,868,902
Less: Current portion	-	-	-
Net	\$ 1,886,959	\$ 1,873,400	\$ 1,868,902

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Overseas unsecured convertible bonds payable

	September 30, 2023	December 31, 2022	September 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	(58,341)	(71,900)	(76,398)
Subtotal	\$ 1,886,959	\$ 1,873,400	\$ 1,868,902
Less: Current portion	-	-	-
Net	\$ 1,886,959	\$ 1,873,400	\$ 1,868,902
Embedded derivative financial instruments	\$ (8,559)	\$ (16,730)	\$ (26,845)
Equity component	\$ 70,203	\$ 70,203	\$ 70,203

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

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

Period: November 30, 2021 to November 30, 2026

Major redemption and put option clauses:

- A. The bonds are converted into U.S. dollars equivalent to the New Taiwan dollars amount using a fixed exchange rate for the repayment, repurchase and redemption of the bonds. The fixed exchange rate is determined with reference to the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m. on the pricing date (i.e., the Fixed Exchange Rate is US\$1.00 = NT\$27.79).
- 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".

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- 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 formula in the indenture. The conversion price as of September 30, 2023 was NT\$47.61 per share.
- D. Redemption on maturity date: Upon maturity, the bonds will be redeemed at 100% of the outstanding principal amount (i.e., the redemption amount at maturity). The redemption amount at maturity is converted to New Taiwan dollars using the Fixed Exchange Rate, and the New Taiwan dollars amount will be converted into U.S. dollars using the prevailing exchange rate (the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m.) for payments in U.S. dollars.

(16) Long-term loans

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

Creditor	2023.09.30	Contract Term and Repayment
Export-Import Bank of the Republic of China - credit loan	\$ 200,000	2023.8.4 - 2029.8.4, non-revolving for six years from the initial drawdown date, principal to be repaid in 8 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Bank of Ningbo - credit loan	13,261	2023.8.23 - 2024.9.22, principal to be repaid in 3 equal installments with monthly interest payment

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Creditor	2023.09.30	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	43,214	2022.3.25 - 2029.3.25, principal to be repaid in equal monthly installments with monthly interest payment
Maxwealth Financial Leasing Co., Ltd. - secured loan	6,297	2023.8.2 - 2025.8.1, principal to be repaid in equal monthly installments with monthly interest payment
Subtotal	386,142	
Less: Current portion	(34,643)	
Total	<u>\$ 351,499</u>	

The Group entered into a machinery and equipment sale-leaseback financing arrangement with Maxwealth Financial Leasing Co., Ltd. Under the agreement, the Group pledged machinery and equipment as collateral for a loan of RMB 1,500 thousand with a term of two years. At the end of the term, the ownership of such machinery and equipment would belong to the Company. Please refer to Note 8 for machinery and equipment pledged.

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	2022.09.30	Contract Term and Repayment
Export-Import Bank of the Republic of China - credit loan	\$ 100,000	2019.6.28 - 2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Cathay United Bank - credit loan	150,000	2022.7.16 - 2024.7.16, revolving for 2 years after the commencement date with monthly interest payment
DBS Bank - credit loan	50,000	2022.2.21 - 2024.2.21, revolving for 2 years after the commencement date with monthly interest payment
Taipei Fubon 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	51,071	2022.3.25 - 2029.3.25, principal to be repaid in equal monthly installments with monthly interest payment
Subtotal	601,441	
Less: Current portion	(57,857)	
Total	<u>\$ 543,584</u>	

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- A. The interest rate ranges of loans were 1.7165% to 3.65%, 1.23% to 1.8% and 1.1% to 1.61% as of September 30, 2023, December 31, 2022 and September 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 nine months ended September 30, 2023 and 2022 were NT\$8,677 thousand, NT\$9,044 thousand, NT\$25,550 thousand and NT\$26,325 thousand, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan for the three months and nine months ended September 30, 2023 and 2022 were NT\$2,046 thousand, NT\$2,189 thousand, NT\$6,140 thousand and NT\$6,566 thousand, respectively.

(18) Equity

A. Capital

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

B. Capital surplus

	September 30, 2023	December 31, 2022	September 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	8,163	-	-
Others	112,179	112,134	112,134
Total	<u>\$ 1,023,302</u>	<u>\$ 1,140,566</u>	<u>\$ 1,140,566</u>



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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.

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.

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- (e) For the remaining profits, if any, the Board of Directors shall draft a proposal for the distribution of bonus to shareholders and submit it to the shareholders' meeting for resolution.

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

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

As of September 30, 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.

D. Non-controlling interests (NCI)

	Nine Months Ended September 30	
	2023	2022
Beginning balance	\$ 144,043	\$ 148,097
Net loss attributable to NCIs	(43,912)	(1,832)
Other comprehensive income attributable to NCIs:		
Exchange differences arising on translation of foreign operations	(4)	1,009
Others	-	4,451
Ending balance	\$ 100,127	\$ 151,725

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(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)	Subscription Price per Unit (NT\$) (Note)
2023.2.22	3,000	42.30

Note: Once options are issued, the exercise price would be adjusted by the formula set out in the Rules Governing the Issuance and Exercise of Employee Options when there are changes in the Company's common stocks or cash dividends for common stocks with a per-share amount exceeding 1.5% of the stock market price.

For share-based payment plan granted in the nine months ended September 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

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

	Nine Months Ended September 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	42.3		
Forfeited	70	39.9		
Exercised	-	-		
Expired	-	-		
Outstanding at end of period	2,930	39.9	\$ 39.9	4.33
Exercisable at end of period	-	-		

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

	Nine Months Ended September 30, 2023
Expenses recognized for the share-based payment transactions (equity-settled share-based payments)	\$ 8,163

(20) Operating revenue

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Revenue from sale of goods	\$ 2,487,012	\$ 2,372,004	\$ 5,969,125	\$ 6,861,226
Contract balances:				
	September 30, 2023	December 31, 2022	September 30, 2022	December 31, 2021
Contract liabilities - current				
Sale of goods	\$ 1,551	\$ 758	\$ 1,908	\$ 1,853

Beginning balance of contract liabilities reclassified to revenue amounted to NT\$758 thousand and NT\$1,853 thousand for the nine months ended September 30, 2023 and 2022, respectively.

(21) Expected credit gain (loss)

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Operating expenses - expected credit gain (loss)				
Accounts receivable	\$ (3,282)	\$ (857)	\$ 1,754	\$ (5,001)

Please refer to Note 12 for information concerning credit risk.

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

September 30, 2023

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 4,012,135	\$ 88,665	\$ 2,331	\$ 26,959	\$ 4,130,090
Loss ratio	0%~1%	3%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	14,854	5,340	466	26,959	47,619
Subtotal	<u>\$ 3,997,281</u>	<u>\$ 83,325</u>	<u>\$ 1,865</u>	<u>\$ -</u>	<u>\$ 4,082,471</u>

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	<u>\$ 3,611,987</u>	<u>\$ 81,318</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 3,693,309</u>

September 30, 2022

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

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

Movements in the loss allowance for receivables in the nine months ended September 30, 2023 and 2022 were as follows:

	Receivables
Balance as of January 1, 2023	\$ 49,836
Reversed in the current period	(1,754)
Write off	(523)
Effect of exchange rate changes	60
Balance as of September 30, 2023	<u>\$ 47,619</u>

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

(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

	September 30, 2023	December 31, 2022	September 30, 2022
Land	\$ 329,756	\$ 335,939	\$ 339,721
Buildings	17,054	23,595	9,630
Transportation equipment	22,953	21,914	23,400
Total	<u>\$ 369,763</u>	<u>\$ 381,448</u>	<u>\$ 372,751</u>

The Group's right-of-use assets increased by NT\$9,346 thousand and NT\$15,935 thousand for the nine months ended September 30, 2023 and 2022, respectively.

ii. Lease liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Current	\$ 20,118	\$ 21,926	\$ 18,510
Non-current	250,643	259,844	250,274
Lease liabilities	<u>\$ 270,761</u>	<u>\$ 281,770</u>	<u>\$ 268,784</u>

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

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(b) Amounts recognized in the statements of comprehensive income

Depreciation of right-of-use assets

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Land	\$ 2,120	\$ 2,128	\$ 6,369	\$ 6,395
Buildings	2,708	1,574	8,177	4,719
Transportation equipment	2,605	2,431	7,405	6,456
Total	<u>\$ 7,433</u>	<u>\$ 6,133</u>	<u>\$ 21,951</u>	<u>\$ 17,570</u>

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Expense of short-term leases	\$ 23,321	\$ 26,819	\$ 67,392	\$ 62,630
Expense of leases of low value assets (excluding short-term leases of low value assets)	1,041	1,290	2,933	4,880

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

The Group's cash outflows from leases amounted to NT\$95,111 thousand and NT\$85,042 thousand for the nine months ended September 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.

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

Function Nature	Three Months Ended September 30					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	151,909	144,856	296,765	146,581	149,991	296,572
Labor and health insurance	14,981	10,797	25,778	15,688	10,337	26,025
Pension	6,177	4,546	10,723	6,509	4,724	11,233
Remuneration to directors	-	6,611	6,611	-	7,661	7,661
Other employee benefits expense	15,175	7,920	23,095	14,226	8,882	23,108
Depreciation	90,105	19,819	109,924	88,902	16,490	105,392
Amortization	786	5,024	5,810	661	5,162	5,823

Function Nature	Nine Months Ended September 30					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	377,559	357,648	735,207	434,027	402,426	836,453
Labor and health insurance	43,659	30,971	74,630	44,572	29,371	73,943
Pension	18,047	13,643	31,690	19,144	13,747	32,891
Remuneration to directors	-	10,090	10,090	-	20,124	20,124
Other employee benefits expense	42,423	23,681	66,104	45,732	24,919	70,651
Depreciation	267,470	56,546	324,016	253,080	48,784	301,864
Amortization	2,411	14,963	17,374	2,137	15,289	17,426

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 September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Compensation to employees	\$ 23,732	\$ 27,830	\$ 35,507	\$ 72,476
Remuneration to directors	6,511	7,607	9,731	19,816



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

Information on 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

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 September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Interest income	\$ 3,372	\$ 2,171	\$ 18,715	\$ 6,459

B. Other income

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Other income	\$ 20,197	\$ 17,183	\$ 32,473	\$ 24,032

C. Other gains and losses

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
(Loss) gain on disposal of property, plant and equipment	\$ (21)	\$ 794	\$ (308)	\$ 207
Foreign exchange gain, net	73,908	133,634	64,224	356,719
Loss on financial assets (liabilities) at fair value through profit or loss, net	(14,007)	(20,393)	(11,412)	(77,611)
Gain on disposal of investments accounted for using the equity method	99	-	807	39,846
Other losses	(319)	(855)	(1,740)	(14,254)
Total	\$ 59,660	\$ 113,180	\$ 51,571	\$ 304,907

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D. Finance costs

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Interest on bank loans	\$ (2,243)	\$ (3,292)	\$ (6,148)	\$ (8,867)
Interest on lease liabilities	(1,238)	(1,303)	(3,767)	(3,953)
Interest on bonds payable	(4,531)	(4,487)	(13,559)	(13,430)
Total	<u>\$ (8,012)</u>	<u>\$ (9,082)</u>	<u>\$ (23,474)</u>	<u>\$ (26,250)</u>

E. Components of other comprehensive income

For the three months ended September 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	\$ 121,552	\$ -	\$ 121,552	\$ -	\$ 121,552
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	91,219	-	91,219	(18,244)	72,975
Total	<u>\$ 212,771</u>	<u>\$ -</u>	<u>\$ 212,771</u>	<u>\$ (18,244)</u>	<u>\$ 194,527</u>

For the three months ended September 30, 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	\$ (56,172)	\$ -	\$ (56,172)	\$ -	\$ (56,172)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	35,578	-	35,578	(7,115)	28,463
Total	<u>\$ (20,594)</u>	<u>\$ -</u>	<u>\$ (20,594)</u>	<u>\$ (7,115)</u>	<u>\$ (27,709)</u>

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For the nine months ended September 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	\$ 188,774	\$ -	\$ 188,774	\$ -	\$ 188,774
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	5,546	-	5,546	(1,109)	4,437
Total	<u>\$ 194,320</u>	<u>\$ -</u>	<u>\$ 194,320</u>	<u>\$ (1,109)</u>	<u>\$ 193,211</u>

For the nine months ended September 30, 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	\$ (127,384)	\$ -	\$ (127,384)	\$ -	\$ (127,384)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	91,491	-	91,491	(18,298)	73,193
Total	<u>\$ (35,893)</u>	<u>\$ -</u>	<u>\$ (35,893)</u>	<u>\$ (18,298)</u>	<u>\$ (54,191)</u>

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(25) Income tax

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

Income tax recognized in profit or loss

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Current income tax expense:				
Current income tax payable	\$ 58,657	\$ 64,291	\$ 79,476	\$ 162,179
Income tax adjustments on prior years	-	2,423	(27,558)	2,563
Effect of exchange rate changes	(1,153)	(210)	(189)	(249)
Deferred income tax expense:				
Income tax expense relating to origination and reversal of temporary differences	19,302	1,756	50,848	22,087
Income tax expense	<u>\$ 76,806</u>	<u>\$ 68,260</u>	<u>\$ 102,577</u>	<u>\$ 186,580</u>

Income tax recognized in other comprehensive income

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Deferred income tax expense:				
Exchange differences arising on translation of foreign operations	\$ 18,244	\$ 7,115	\$ 1,109	\$ 18,298
Income tax expense relating to components of other comprehensive income	<u>\$ 18,244</u>	<u>\$ 7,115</u>	<u>\$ 1,109</u>	<u>\$ 18,298</u>

B. Assessment of income tax returns:

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

	Assessment of Income Tax Returns
The Company	Assessed and approved up to 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

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(26) Earnings per share (EPS)

Three Months Ended September 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	\$ 276,536	209,120	\$ 1.32
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	3,625	40,859	
Employee compensation - stock	-	556	
Employee stock options	-	2,712	
Net income attributable to common shareholders of the parent and effect of potential common stocks	\$ 280,161	253,247	\$ 1.11
Three Months Ended September 30, 2022			
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the parent	\$ 256,986	209,120	\$ 1.23
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	3,590	38,460	
Employee compensation - stock	-	704	
Net income attributable to common shareholders of the parent and effect of potential common stocks	\$ 260,576	248,284	\$ 1.05
Nine Months Ended September 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	\$ 369,659	209,120	\$ 1.77
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	10,847	40,859	
Employee compensation - stock	-	833	
Employee stock options	-	2,733	
Net income attributable to common shareholders of the parent and effect of potential common stocks	\$ 380,506	253,545	\$ 1.50

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	Nine Months Ended September 30, 2022		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the parent	\$ 690,527	209,120	<u>\$ 3.30</u>
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	10,744	38,460	
Employee compensation - stock	-	1,833	
Net income attributable to common shareholders of the parent and effect of potential common stocks	<u>\$ 701,271</u>	<u>249,413</u>	<u>\$ 2.81</u>

7. Related Party Transactions

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

Names and relationships

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

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

(1) Prepayments

	September 30, 2023	December 31, 2022	September 30, 2022
Innatech	\$ 1,137	\$ 150	\$ 960
SINYA Digital	335	-	-
SINYA Network	-	90	129
Total	<u>\$ 1,472</u>	<u>\$ 240</u>	<u>\$ 1,089</u>

(2) Other payables - related parties

	September 30, 2023	December 31, 2022	September 30, 2022
Innatech	\$ 415	\$ 2,877	\$ -
SINYA Digital	850	941	2,109
SINYA Network	-	-	422
Total	<u>\$ 1,265</u>	<u>\$ 3,818</u>	<u>\$ 2,531</u>

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(3) Property transaction

Acquisition of property, plant and equipment

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Innatech	\$ -	\$ 1,358	\$ 2,300	\$ 1,358

Acquisition of intangible assets

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Innatech	\$ 1,627	\$ -	\$ 1,627	\$ 202

(4) Others

Rental income

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Geckos	\$ -	\$ -	\$ -	\$ 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 September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Innatech	\$ 660	\$ 719	\$ 2,597	\$ 3,172
SINYA Network	-	46	-	2,306
SINYA Digital	152	471	655	916
Total	\$ 812	\$ 1,236	\$ 3,252	\$ 6,394

(5) Compensation to key management of the Group

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 40,496	\$ 28,721	\$ 94,366	\$ 71,514
Post-employment benefits	486	172	1,400	546
Total	\$ 40,982	\$ 28,893	\$ 95,766	\$ 72,060

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8. Pledged Assets

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

	Carrying Amount			Purpose of Pledge
	September 30, 2023	December 31, 2022	September 30, 2022	
Time deposits (Note)	\$ 43,249	\$ 43,147	\$ 43,529	Customs guarantee
Land	100,843	100,843	100,843	Long-term loans
Buildings	94,981	96,198	94,849	Letter of credit, short-term credit facilities and long-term loans
Machinery and equipment	10,290	-	-	Long-term loans
Total	<u>\$ 249,363</u>	<u>\$ 240,188</u>	<u>\$ 239,221</u>	

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 September 30, 2023 were as follows:

	L / C Balance	
NTD	NT\$	294 thousand
JPY	JPY	81,920 thousand
USD	US\$	1,187 thousand

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

	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets at fair value through profit or loss:			
Mandatorily at fair value through profit or loss	\$ 25,055	\$ 26,925	\$ 27,061
Financial assets at fair value through other comprehensive income	444,463	255,689	245,253
Financial assets at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	1,790,381	2,263,591	2,090,982
Financial assets at amortized cost	-	30,743	49,800
Receivables	4,153,628	3,730,180	4,435,378
Other financial assets - current	43,249	43,147	43,529



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Financial liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Financial liabilities at fair value through profit or loss:			
Held for trading	\$ 6,682	\$ 4,406	\$ 6,752
Designated as at fair value through profit or loss	8,559	16,730	26,845
Financial liabilities at amortized cost:			
Short-term loans	122,102	255,000	325,000
Payables	2,218,149	1,422,413	2,010,631
Bonds payable (including current portion)	1,886,959	1,873,400	1,868,902
Long-term loans (including current portion)	386,142	374,476	601,441
Lease liabilities (current and non-current)	270,761	281,770	268,784

(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.

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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 nine months ended September 30, 2023 and 2022 to increase/decrease by NT\$1,253 thousand and NT\$1,350 thousand, respectively.

A 5% increase/decrease in the prices of listed companies' stocks classified as at fair value through other comprehensive income could cause the comprehensive income for the nine months ended September 30, 2023 and 2022 to increase/decrease by NT\$22,223 thousand and NT\$12,263 thousand, respectively.

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

For the nine months ended September 30, 2023

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$16,751 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ NT\$ 7,617 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- NT\$ 1,282 thousand

For the nine months ended September 30, 2022

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$22,440 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ NT\$ 8,958 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- NT\$ 1,214 thousand

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(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The 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>September 30, 2023</u>					
Borrowings	\$ 165,119	\$ 190,592	\$ 119,800	\$ 54,489	\$ 530,000
Payables	2,218,149	-	-	-	2,218,149
Convertible bonds	-	1,945,300	-	-	1,945,300
Lease liabilities	20,162	28,209	19,972	273,098	341,441
<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>September 30, 2022</u>					
Borrowings	\$ 381,011	\$ 481,235	\$ 58,861	\$ 11,898	\$ 933,005
Payables	2,010,631	-	-	-	2,010,631
Convertible bonds	-	-	1,945,300	-	1,945,300
Lease liabilities	18,510	22,626	17,165	277,492	335,793

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Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>September 30, 2023</u>					
Inflows	\$ 522,533	\$ -	\$ -	\$ -	\$ 522,533
Outflows	532,752	-	-	-	532,752
Net	<u>\$ (10,219)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,219)</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>

September 30, 2022

Inflows	\$ 513,384	\$ -	\$ -	\$ -	\$ 513,384
Outflows	527,629	-	-	-	527,629
Net	<u>\$ (14,245)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,245)</u>

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the nine months ended September 30, 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	(132,898)	11,666	(24,786)	11,153	-	(134,865)
Non-cash movements	-	-	13,777	-	13,559	27,336
As of September 30, 2023	<u>\$ 122,102</u>	<u>\$ 386,142</u>	<u>\$ 270,761</u>	<u>\$ 11,408</u>	<u>\$ 1,886,959</u>	<u>\$ 2,677,372</u>

Reconciliation of liabilities for the nine months ended September 30, 2022:

	Short-term Loans	Long-term Loans	Lease Liabilities	Guarantee Deposits Received	Bonds Payable	Total Liabilities from Financing Activities
As of January 1, 2022	\$ 790,000	\$ 809,720	\$ 267,044	\$ 255	\$ 1,855,472	\$ 3,722,491
Cash flows	(465,000)	(208,279)	(17,532)	-	-	(690,811)
Non-cash movements	-	-	19,272	-	13,430	32,702
As of September 30, 2022	<u>\$ 325,000</u>	<u>\$ 601,441</u>	<u>\$ 268,784</u>	<u>\$ 255</u>	<u>\$ 1,868,902</u>	<u>\$ 3,064,382</u>

(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:

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- (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 September 30, 2023, December 31, 2022 and September 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>September 30, 2023</u>		
Sell RMB/Buy NTD	2023.05~2024.01	RMB 78,000/NT\$ 337,915
Sell USD/Buy NTD	2023.08~2023.11	US\$ 5,000/NT\$ 158,662
<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>September 30, 2022</u>		
Sell RMB/Buy NTD	2022.05~2023.01	RMB 96,000/NT\$ 419,698
Sell USD/Buy NTD	2022.08~2022.10	US\$ 2,000/NT\$ 60,446

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

Currency	Contract Period	Contract Amount (in thousands)
<u>September 30, 2023</u>		
Sell RMB/Buy NTD	2023.08~2024.04	RMB 6,000/NT\$ 25,956
<u>December 31, 2022</u>		
Sell RMB/Buy NTD	2022.12~2023.04	RMB 6,000/NT\$ 26,284
<u>September 30, 2022</u>		
Sell RMB/Buy NTD	2022.08~2022.12	RMB 7,600/NT\$ 33,240

For transactions involving forward foreign exchange contracts 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:

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	Level 1	Level 2	Level 3	Total
<u>September 30, 2023</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Stocks	\$ 25,055	\$ -	\$ -	\$ 25,055
Financial assets at fair value through other comprehensive income	444,463	-	-	444,463
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	6,493	-	6,493
Foreign exchange swap contracts	-	189	-	189
Embedded derivative instruments	-	-	8,559	8,559
<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>September 30, 2022</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 71	\$ -	\$ 71
Stocks	26,990	-	-	26,990
Financial assets at fair value through other comprehensive income	245,253	-	-	245,253
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	6,573	-	6,573
Foreign exchange swap contracts	-	179	-	179
Embedded derivative instruments	-	-	26,845	26,845

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For the nine months ended September 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:

September 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	\$ 86,241	32.286	\$ 2,784,377	\$ 85,105	30.743	\$ 2,616,397	
RMB	177,956	4.4205	786,654	153,825	4.4126	678,770	
JPY	122,990	0.2161	26,578	137,808	0.2326	32,054	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD	\$ 34,364	32.286	\$ 1,109,476	\$ 15,577	30.743	\$ 478,896	
RMB	5,654	4.4205	24,994	5,181	4.4126	22,863	
JPY	171,505	0.2161	37,062	116,597	0.2326	27,120	

  

September 30, 2022			
	Foreign Currencies (in thousands)	Exchange Rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 103,342	31.797	\$ 3,285,914
RMB	206,393	4.4791	924,455
JPY	178,404	0.2203	39,302
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	\$ 32,775	31.797	\$ 1,042,130
RMB	6,401	4.4791	28,671
JPY	177,853	0.2203	39,181

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 nine months ended September 30, 2023 and 2022, the Group's foreign exchange gain amounted to NT\$73,908 thousand, NT\$133,634 thousand, NT\$64,224 thousand and NT\$356,719 thousand, respectively.



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(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 payments 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 September 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: None.
- E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital: None.
- F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital: None.
- G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital: Please refer to Table 4.
- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital: Please refer to Table 5.
- I. Direct or indirect significant influence or control over the investees (excluding investments in mainland China): Please refer to Table 6.
- J. Derivative financial instrument transactions: Please refer to Note 12.
- K. Others: intercompany relationships and significant intercompany transactions: 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.

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

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evaluated based on operating profit or loss and measured consistently with methods applied to operating profit or loss in the consolidated financial statements. However, finance costs, financial benefits and income taxes are managed on the Group basis and are not allocated to operating segments.

Segment income (loss)

For the three months ended September 30, 2023

	General Management	Overseas	Adjustment and Elimination (Note)	Total
Revenue				
External customer	\$ 1,750,558	\$ 736,454	\$ -	\$ 2,487,012
Inter-segment	507,026	333,248	(840,274)	-
Total revenue	<u>\$ 2,257,584</u>	<u>\$ 1,069,702</u>	<u>\$ (840,274)</u>	<u>\$ 2,487,012</u>
Segment income (loss) (before income tax)	<u>\$ 373,391</u>	<u>\$ 3,917</u>	<u>\$ (40,542)</u>	<u>\$ 336,766</u>

Note: Inter-segment revenues were eliminated upon consolidation.

For the three months ended September 30, 2022

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

Note: Inter-segment revenues were eliminated upon consolidation.

For the nine months ended September 30, 2023

	General Management	Overseas	Adjustment and Elimination (Note)	Total
Revenue				
External customer	\$ 4,146,969	\$ 1,822,156	\$ -	\$ 5,969,125
Inter-segment	1,238,396	864,778	(2,103,174)	-
Total revenue	<u>\$ 5,385,365</u>	<u>\$ 2,686,934</u>	<u>\$ (2,103,174)</u>	<u>\$ 5,969,125</u>
Segment income (loss) (before income tax)	<u>\$ 427,191</u>	<u>\$ (8,424)</u>	<u>\$ 9,557</u>	<u>\$ 428,324</u>

Note: Inter-segment revenues were eliminated upon consolidation.

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For the nine months ended September 30, 2022

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

Note: Inter-segment revenues were eliminated upon consolidation.

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

	General Management	Overseas	Adjustment and Elimination	Total
As of September 30, 2023	<u>\$ 9,620,007</u>	<u>\$ 5,926,979</u>	<u>\$ (2,096,981)</u>	<u>\$ 13,450,005</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 September 30, 2022	<u>\$ 10,201,968</u>	<u>\$ 5,655,015</u>	<u>\$ (2,087,383)</u>	<u>\$ 13,769,600</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	-	-	-	\$ 1,591,263	\$ 3,182,526	(Note 7)
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	258,288	258,288	-	1.70%~4.00%	2	-	Operating capital	-	-	-	1,591,263	3,182,526	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	161,430	161,430	-	1.70%~4.00%	2	-	Operating capital	-	-	-	1,591,263	3,182,526	(Note 7)
1	Kunshan Taiflex Electronic Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	88,960	88,410	-	2.00%~4.00%	2	-	Operating capital	-	-	-	786,503	786,503	(Note 9)
1	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	622,720	618,870	530,460	2.00%~4.00%	2	-	Operating capital	-	-	-	786,503	786,503	(Note 9)
2	Koatech Technology Corporation	Kunshan Koatech Technology Corporation	Other receivables - related parties	Y	92,831	92,831	89,397	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 nine months ended September 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	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	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)	Note
		Name	Relationship (Note 2)											
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	2	\$ 3,978,158	\$ 548,862	\$ 548,862	\$ 7,824	\$ -	6.90%	\$ 3,978,158	Y	N	Y	(Note 3)
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Thailand) Co., Ltd.	2	3,978,158	484,290	484,290	8,782	-	6.09%		Y	N	N	
0	Taiflex Scientific Co., Ltd.	Taiflex Green Power Co., Ltd.	2	3,978,158	230,000	230,000	-	-	2.89%		Y	N	N	
1	Koatech Technology Corporation	Kunshan Koatech Technology Corporation	2	61,256	30,944	30,944	-	-	10.10%	153,140	N	N	Y	(Note 8)

Note 1: Companies are coded as follows:

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

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

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

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

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

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

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

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

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

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

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

Note 4: The maximum endorsement/guarantee balance for the nine months ended September 30, 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.

Note 8: The overall amount of guarantees/endorsements provided shall not exceed 50% of the endorsement/guarantee provider'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 endorsement/guarantee provider's net worth in the most recent financial statements.

TABLE 3: MARKETABLE SECURITIES HELD AS OF SEPTEMBER 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	September 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	444,463	6.90%	444,463	-
	Listed stocks	Zhen Ding Technology Holding Limited	-	Financial assets at fair value through profit or loss - current	255	25,055	0.03%	25,055	-

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	\$ 644,913	12.79%	Monthly settlement with payment in 180 days	-	-	\$ 386,454	13.38%	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	263,921	5.23%	Monthly settlement with payment in 90 days	-	-	105,586	3.66%	-
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Holds 100% of the third-tier subsidiary	Purchases	224,586	6.84%	Monthly settlement with payment in 180 days	-	-	(44,603)	(3.00%)	-
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	644,913	49.08%	Monthly settlement with payment in 180 days	-	-	(386,454)	(37.54%)	-
Shenzhen Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	Purchases	663,844	50.52%	Monthly settlement with payment in 180 days	-	-	(635,322)	(61.71%)	-
Kunshan Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	263,921	64.95%	Monthly settlement with payment in 90 days	-	-	(105,586)	(43.43%)	-
Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's ultimate parent company	Purchases	137,589	33.86%	Monthly settlement with payment in 180 days	-	-	(130,322)	(53.60%)	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	Sales	663,844	81.28%	Monthly settlement with payment in 180 days	-	-	635,322	81.43%	-
Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	The company's associate	Sales	137,589	16.85%	Monthly settlement with payment in 180 days	-	-	130,322	16.70%	-
Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Sales	224,586	92.41%	Monthly settlement with payment in 180 days	-	-	44,603	77.75%	-

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	\$ 386,454	2.03	-	-	\$ 49,448	-	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	105,586	3.72	-	-	-	-	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	635,322	1.68	-	-	-	-	-
Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	The company's associate	130,322	1.54	-	-	8,131	-	-
Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	530,460	(Note 1)	-	-	-	-	-

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

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

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2023			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				September 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%	\$ 800,495	\$ (22,186)	\$ (22,186)	(Note 2)
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	657	(26)	(26)	-
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	320,761	320,761	16,124	52.97%	196,994	(93,371)	(49,459)	-
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	88,568	93,309	3,419	12.97%	21,798	(33,612)	(4,491)	-
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	529,319	5,356	12,528	(Note 2)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	1,316,239	1,316,239	44,000	73.94%	1,501,400	20,550	4,139	(Note 2)
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	14,619	209	209	-
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	8,820	1	100.00%	11,280	441	441	-
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor materials	246,000	246,000	17,000	100.00%	277,584	45,479	45,515	(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%	51,453	837	845	(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%	749,169	(5,402)	(5,402)	-
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	26.06%	536,808	20,550	5,356	-
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	786,578	(20,514)	(20,514)	-
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	113,517	113,517	3,960	100.00%	71,099	(35,437)	(35,437)	-
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	113,368	113,368	3,955	100.00%	69,716	(35,437)	(35,437)	-

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

Note 2: Including unrealized gain/loss between companies.



TABLE 7: INFORMATION ON INVESTMENTS IN MAINLAND CHINA

(In Thousands of New Taiwan Dollars)

Investor	Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflows of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflows of Investment from Taiwan as of September 30, 2023	Profit/Loss of Investee	Ownership Percentage (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of September 30, 2023	Accumulated Inward Remittances of Earnings as of September 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	\$ (20,514)	100.00%	\$ (20,514)	\$ 786,503	\$ 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	23,969	100.00%	23,969	1,327,255	-
	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	(3,419)	100.00%	(3,419)	732,343	-
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	(35,437)	52.97%	(18,770)	36,937	-
Accumulated Outflows of Investment from Taiwan to Mainland China as of September 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

(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	\$644,913	General trading terms	10.80%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	386,454	General trading terms	2.87%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Sales revenue	263,921	General trading terms	4.42%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Accounts receivable	105,586	General trading terms	0.79%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Accounts receivable	63,174	General trading terms	0.47%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Other receivables	48,568	General trading terms	0.36%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Sales revenue	67,075	General trading terms	1.12%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Sales revenue	25,768	General trading terms	0.43%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Other receivables	83,958	General trading terms	0.62%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Sales revenue	663,844	General trading terms	11.12%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Accounts receivable	635,322	General trading terms	4.72%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Sales revenue	137,589	General trading terms	2.31%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Accounts receivable	130,322	General trading terms	0.97%
2	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	3	Other receivables	530,460	Financing, with terms agreed by both parties	3.94%
3	Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	2	Sales revenue	224,586	General trading terms	3.76%
3	Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	2	Accounts receivable	44,603	General trading terms	0.33%
4	Koatech Technology Corporation	Kunshan Koatech Technology Corporation	3	Other receivables	89,397	Financing, with terms agreed by both parties	0.66%
4	Koatech Technology Corporation	Kunshan Koatech Technology Corporation	3	Accounts receivable	27,332	General trading terms	0.20%

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

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

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

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

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

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

Note 4: Eliminated upon consolidation.

TABLE 9: INFORMATION ON MAJOR SHAREHOLDERS

(In Shares)

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

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.