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TAIFLEX Scientific Co., Ltd.

2021 Annual Report

Corporate Website: <https://www.taiflex.com.tw>

Market Observation Post System Website: <http://mops.twse.com.tw>

Published on March 28, 2022

Notice to readers

This English annual report is a summary translation of the Chinese version and is not an official document of the Shareholders' Meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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CPA Firm: Ernst & Young

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5. Overseas Securities Exchange and Methods to Access Relevant Information:

Singapore Exchange Limited: <http://www.sgx.com>

ISIN : XS2385251017

6. Corporate Website:

<https://www.taiflex.com.tw>

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I. Letter to Shareholders

1. 2021 Operating Results

The Company generated a net revenue of NT\$9,405 million in 2021, an increase of 7.3% from NT\$8,766 million in 2020. Net income attributable to shareholders of the parent company came to NT\$735 million, down 4.9% year-over-year, with an earnings per share of NT\$3.51. COVID-19 continued to exert its influence on global economy in 2021. Adjustments on preventive measures adopted by governments around the world brought about a surging demand whereby major economies enjoyed significant economic growth. In contrast to the substantial hikes in demand, the overall supply capacity of the industry was constrained due to relevant prevention policies. As supply failed to meet the demand, the operating costs such as raw materials, transportation and wages rocketed and inflation was just around the corner.

Benefitting from rising demand and professional competence in supply chain management, we achieved growth in revenue despite shortages in key components such as chips confronted by end customers. However, the rapidly rising operating costs imposed enormous pressure on the entire industry. We strived to lower the impact of rising costs by improving our operation efficiency. The profits in 2021 declined slightly compared to the previous year.

Looking at 2022, countries around the world begin pondering ways to coexist with COVID-19 and mitigate the adverse impact on economy. The European countries have started to gradually lift all preventive measures and global economic activities are expected to slowly return to normal. Nevertheless, the soaring price pressure drives central banks worldwide to reverse the expansionary monetary policy adopted during the pandemic. As monetary policy tightens, interest rates move towards rate-rising cycles. Meanwhile, manufacturers are bound to transfer some costs to consumers as the rising costs become unbearable. The magnitude of impact on consumption from these two factors remains to be seen. However, 2022 is no doubt going to be a turbulent year.

To cope with uncertainties looming over demand, we will stay focused on risk control. By minimizing the impact of emergencies and maintaining a sound supply capacity, we will continue to enhance our leading position in the supply chain and expand our market share. Also, through the launching of new products, we can further grasp the emerging requirements for high frequency and high speed in communications as well as the enormous business opportunities in electronic components driven by alternative fuel vehicles to stay on top of long-term growth trends.

(1) Consolidated revenue and net income

(In Thousands of New Taiwan Dollars)

Item	2021	2020	Change (in Dollar Amount)	Change (in Percentage)
Net revenue	9,405,002	8,766,318	638,684	7.29%
Gross profit	2,198,643	2,078,573	120,070	5.78%
Net income	744,862	784,353	(39,491)	(5.03%)

(2) Profitability analysis

Item	2021	2020
Net profit margin	7.91%	8.94%
Return on assets	5.94%	6.99%
Return on shareholders' equity	9.61%	10.50%

(3) Directions of research and development: heading towards high value-added materials

A. Electronic materials

Electronic devices continue to head towards high-frequency and high-speed communication as well as being compact and energy-saving. We allocate our research and development resources on products under three themes: materials featuring high frequency, high speed, and low latency to satisfy transmission requirements; materials featuring high dimensional stability and low ion transport to satisfy system-level packaging and fine line requirements; and heavy copper materials with thick insulation layer to satisfy charging requirements. We fulfill customers' demands with our comprehensive product portfolio and offer total solutions with our core formula capabilities.

B. Heat dissipation materials

Besides developing our electronic materials business, we utilize our core formulas and production capabilities to diversify product lines. In light of the heat management demand brought about by high performance computing, we actively take part in heat dissipation materials and deepen our involvement in heat dissipation for automotive market in order to level out the volatility in the electronic industry.

C. Semiconductor materials

Through a spin-off, Taiflex established Taichem Materials Co., Ltd. (Taichem Materials) in September 2020 to take charge of the semiconductor material business. At present, the main products include laser release materials which are primarily used in the advanced packaging process as well as packaging materials for mini-LED and micro-LED. We now align our work with progresses of customers and offer customized services through in-house formula technology. As the production volume of customers picks up, so would our growth momentum.

2. Overview of 2022 Business Plan

(1) Business policy

The most imminent risk in 2022 is the threat from inflation, resulting in countries adopting a tight monetary policy and the impact on consumer market is difficult to estimate. Furthermore, with port congestion persists around the world, the soaring transportation costs and supply chain shortages are not likely to end in the short term. The increasing ESG awareness also elevates operating costs. Companies are facing tremendous pressure and risks where operating profits are concerned.

Thus, we will reinforce our risk control mechanisms and improve management flexibility as well as decision-making speed to cope with volatile changes. Foremost, we will increase supplier diversity and establish dynamic inventory strategies, allowing flexibility in global production deployment. At the same time, key materials will require dual certification and sourcing to lower the risk of factories shutdown or logistics disruption from a single area. In response to the possible downturn in consumer spending, we will pay special attention to inventory control and credit management. Through conservative and prudent financial policies, we will maintain sufficient cash to adapt to changes in the economic environment. In addition to increasing our risk tolerance, we can quickly seize investment and growth opportunities.

As for the consumption market as a whole, although the overall smartphone sales have slowed down, new material applications stemming from increasing demand in 5G, metaverse and alternative energy vehicles still bring about brand-new high added-value growth opportunities

to upstream material vendors. We are recognized by international companies for our sustainable operating capacity and have maintained long-term partnerships. We continue to work closely together on the research and development of new materials in order to seize business opportunities from new applications.

In contrast to new designs and applications, cost competitiveness is the deciding factor in the traditional market. With advantages in economies of scale plus competence in supply chain management, we can fulfill market demand with competitive cost structures and continue to expand our market share, securing our leading position in the competition. ESG is another key issue for modern-day corporations and even a determinant in supplier selection for international corporations. Being a long-term industry leader, we have sufficient resources to invest in various aspects including environmental protection, social welfare and corporate governance. While fulfilling our corporate social responsibilities, we can ensure that we would pass inspections of the competent authorities and international brands as well as maintain stable growth.

(2) Sales forecast and basis

Electronics materials: Sales in 2022 are expected to increase slightly compared to 2021

Basis:

- A. Although the lifting of preventive measures worldwide boosts consumer spending, the impact of uncertainties, including the ongoing inflationary pressure, shortage in supplies and the rate increasing policy adopted by central banks in different countries, on demand remains to be seen. Moreover, a major part of WFH demand for electronic devices has been satisfied during the prolonged pandemic. The growth of the entire consumer electronics market is expected to lean towards the conservative side.
- B. Even though the growth momentum of the market as a whole is unclear, as our overall competitiveness exceeds that of others, we can better serve customers during the time of uncertainty. We expect to further expand our market shares, thereby increasing the overall shipment.
- C. In summary, although the growth from market demand is uncertain in 2022, we aim to increase our market share with complete product lines, reputable quality products and cost competitiveness, driving up the sales volume of electronic materials.

(3) Key production and sales policies

- A. Expand the supply capacity of Rudong production base to support the increasing demand for local production as well as reduce the supply chain disruption risk at other production bases due to COVID-19.
- B. Establish a third overseas production base upon evaluation to further improve our supply flexibility for regional economic developments.
- C. Establish dynamic inventory policies, set up an intelligence center and introduce advanced production-sales planning systems to closely monitor customer demand and swiftly adjust our production planning.
- D. Build regional hubs in China. Accelerate inventory flows, reduce overall transportation costs as well as improve fill rate via cost-efficient transportation routes and warehouse planning.
- E. Expand the technical service team for end customers, take the lead in understanding final demand, and enhance the efficiency of product research and development.
- F. Optimize product portfolio and pricing strategy, and enhance customer satisfaction as well as profitability.

3. Strategies for Future Developments

- (1) Extend the existing material formulas and precision manufacturing technology and explore market opportunities to develop new businesses in pursue of long-term growth. Besides the existing electronic materials business which will ride on the tide of 5G communication growth, we are expanding our operation to heat dissipation and semiconductor materials.
- (2) Through collaborations with end customers in design and joint research and development with front-end materials suppliers plus our existing technology and advantages in economies of scale, we aim to stabilize and strengthen the overall supply chain connectivity and thereby create high entry barriers for competitors.
- (3) Increase ESG investments, systematize workflows and carry out waste reduction measures to reduce environmental hazards and pursue sustainable developments.

4. Impacts from External Competitions, Regulatory Compliance and Macro-environment

- (1) External competitions
 - A. Rapid advancement in products and technology lead to quick changes in customer demand. In addition to increasing development costs, the challenge for speedy mass production of new product has turned severe and the existing products are confronted with higher price competition pressure.
 - B. The broad gap between peak and low seasons posts challenges to capacity flexibility and resource allocation.
 - C. Being a leading global producer of FCCL, our competitive advantages in supply chain management and economies of scale allow us to meet customers' demand in time. We also collaborate with companies in the supply chain to accelerate our progress in research and development in order to satisfy customers' desire for new products and assist customers with seizing the growth opportunities.
- (2) Regulatory compliance
 - A. Changes in tariff competitiveness due to regional trade agreements as well as regulatory changes in cross-strait trading will have direct impact on allocation of corporate resources.
 - B. Tax reform worldwide on transfer pricing will affect corporate strategies and the design of global value chain framework.
- (3) Macro-environment
 - A. Inflationary pressure and tight monetary policy bring about damaging uncertainties to the market demand and increase the difficulties in supply chain inventory management, production scheduling and delivery. In addition, the upward trends of costs in raw materials, transportation and personnel persist, posing a great challenge to profitability.
 - B. The increasing focus on ESG will drive up operating costs and relevant investments. Besides technology, quality and cost, ESG will become a crucial factor in corporate competitiveness.
 - C. Our government has less participation in the prevalent regional trade integration agreements comparing to other competing countries. The growing pressure from competing with Japan and South Korea as well as future challenges from Southeast Asia countries will put our global strategies to the test.

Looking back at 2021, as countries gradually opened up, people's lives were expected to return to normal. However, the challenge of inflation immediately after tested the risk management capacity of corporations. The Company will strive to maintain a balance between risks and operations and improve flexibility through a variety of operational strategies, e.g., increase local purchases, adopt dynamic inventory strategies, optimize product structure, and improve production efficiency and expense control. We will persistently strengthen our core competitiveness, invest research and development resources in advanced flexible electronics materials, heat dissipation materials and semiconductor materials, and work towards producing high-value products. At the same time, we will utilize our leading position in flexible materials to collaborate with customers in order to capture the driving forces of market growth and consolidate the foundation for sustainability.

Wishing all shareholders good health and prosperity!

Chairperson: Ta-Wen Sun

II. Company Profile

1. Founded on August 16, 1997

2. Company History

Year	Milestones
August, 1997	Founded at the Incubator Center of Industrial Technology Research Institute (ITRI) with paid-in capital of NT\$4,000,000. Focused on manufacturing of polymer film-based copper clad laminates and associated high-tech products.
June, 1998	Moved to Kaohsiung Export Processing Zone at Qianzhen District, Kaohsiung with an area of 3,638 square meters.
February, 1999	Mass production.
April, 1999	Obtained ISO9001 Certification.
December, 1999	Formed strategic alliance with Arisawa MFG Co. Ltd., a leading FPC manufacturer in Japan.
March, 2000	Signed technology transfer agreement with Arisawa.
May, 2000	Underwent the supplemental public issuance procedure and approved by Securities and Futures Institute with Official Letter (2000) Tai-Cai-Zheng-Quan (1) No. 44617.
March, 2002	Received Best R&D Award and Best Sales of Own-Brand Award from Ministry of Economic Affairs, R.O.C.
January, 2003	Traded on the Emerging Stock Market.
December, 2003	Listed on the OTC Stock Exchange on December 19.
June, 2004	Paid-in capital of NT\$587,500,000 after the merger with HuaPeng Technology on June 1.
October, 2004	Received National Award for Outstanding SMEs from Small and Medium Enterprise Administration, Ministry of Economic Affairs, R.O.C.
July, 2006	Obtained TS16949 Certification.
October, 2008	Obtained TÜV certification. Obtained TOSHMS: 2007 certification. Obtained OHSAS 18001: 2007 certification.
November, 2009	Obtained ISO14064 certification.
December, 2009	Listed on Taiwan Stock Exchange since December 17, 2009.
March, 2010	The first company in the Kaohsiung Export Processing Zone to be approved by Customs Administration, Ministry of Finance as an Authorized Economic Operator (AEO).
March, 2010	Share swap between Koatech Technology Corporation and Taiflex with issuance of new shares amounting to NT\$46,650,590.

Year	Milestones
November, 2011	Received Golden Award of TTQS from Executive Yuan.
August, 2012	Ranked 10th in the Commonwealth Magazine's Corporate Citizenship Awards - Medium-Sized Enterprises.
January, 2013	Selected in the "Enterprises as Backbones of Industries Leaping Promotion Program" of Industrial Development Bureau, Ministry of Economic Affairs, R.O.C.
June, 2013	Received 2013 National TrainQuali Prize.
August, 2013	Ranked 10th in the Commonwealth Magazine's Corporate Citizenship Awards.
January, 2014	Received Badge of Accredited Healthy Workplace from Health Promotion Administration, Ministry of Health and Welfare.
February, 2014	Received Devotion to Social Welfare Award from Export Processing Zone Administration, Ministry of Economic Affairs, R.O.C.
May, 2015	Received A++ Award in the 12th Information Transparency and Disclosure Ranking for Exchange and OTC-Listed Companies.
August, 2015	Ranked 38th in the Commonwealth Magazine's Corporate Citizenship Awards - Large-Scale Enterprises.
November, 2015	Received Copper Pyramid Award in the 24th National Quality Control Circle Competition.
December, 2015	Received Golden Award of TTQS (Enterprise Version). Received award in the Corporate Benefit Plan Competition, Labor Affairs Bureau of Kaohsiung City Government. Received awards from Export Processing Zone Administration for (1) being the models of water-use efficiency, (2) charities and community services, (3) industry-academia collaboration, and (4) fab transformation.
January, 2016	Established Taiflex Scientific Japan Co., Ltd.
July, 2016	Received the 2015 certification mark for Exporters/Importers with Excellent Trade Performance, the Bureau of Foreign Trade, Ministry of Economic Affairs, R.O.C.
August, 2016	Paid-in capital of NT\$2,083,251,920 after capitalizing capital surplus of NT\$40,393,570. Ranked 37th in the Commonwealth Magazine's Corporate Citizenship Awards - Large-Scale Enterprises.
September, 2016	Received 2016 Work and Life Balance Award - Work Autonomy and Achievement, Ministry of Labor.
December, 2016	Obtained ISO27001 Information Security Management certification.
January, 2017	Received SGS ISO9001 18 Years Merit Award.
July, 2017	Received the 2016 certification mark for Exporters/Importers with Excellent Trade Performance, the Bureau of Foreign Trade, Ministry of Economic Affairs, R.O.C.

Year	Milestones
January, 2018	Approved by the Ministry of Finance to be an AEO. Established Taiflex USA Corporation.
May, 2018	Received Devotion to Social Welfare Award from Export Processing Zone Administration, Ministry of Economic Affairs, R.O.C.
August, 2018	Ranked 31st in the Commonwealth Magazine's Corporate Citizenship Awards - Large-Scale Enterprises.
October, 2018	Received "Sports Corporation" certificate from Sports Administration, Ministry of Education.
May, 2019	Received Outstanding Employment Relations Award from Export Processing Zone Administration. Received Devotion to Social Welfare Award from Export Processing Zone Administration.
September, 2019	Obtained ISO45001 2018 Occupational Health and Safety Management Systems certification. Obtained CNS45001 2018 Chinese National Standard Occupational Health and Safety Management Systems certification.
December, 2019	Received Commitment Prize and Jury Prize in the Enterprise Elite Award event organized by the Kaohsiung City Government. Received the Occupational Health Promotion Certificate from the Health Promotion Administration, Ministry of Health and Welfare
April, 2020	Received Enterprise with Outstanding Employment Relations Award from Export Processing Zone Administration, Ministry of Economic Affairs, R.O.C. Received Devotion to Social Welfare Award from Export Processing Zone Administration, Ministry of Economic Affairs, R.O.C.
September, 2020	Spun off and established a wholly-owned subsidiary, Taichem Materials Co., Ltd.
October, 2020	Received Happiness and Friendliness Prize in the 2020 Enterprise Elite Award event organized by the Kaohsiung City Government.
December, 2020	Approved by the Customs Administration, Ministry of Finance to be a Security and Safety AEO. Obtained ISO27001 Information Security Management certification again.
March, 2021	Established a wholly-owned subsidiary, Taiflex Green Power Co., Ltd. with a focus on renewable energy to continue our investment in power generation from green energy.
April, 2021	Received Enterprise with Outstanding Employment Relations Award from Export Processing Zone Administration, Ministry of Economic Affairs, R.O.C. Received Devotion to Social Welfare Award from Export Processing Zone Administration, Ministry of Economic Affairs, R.O.C. Received Excellent Enterprise Award from Kaohsiung Chamber of Industry

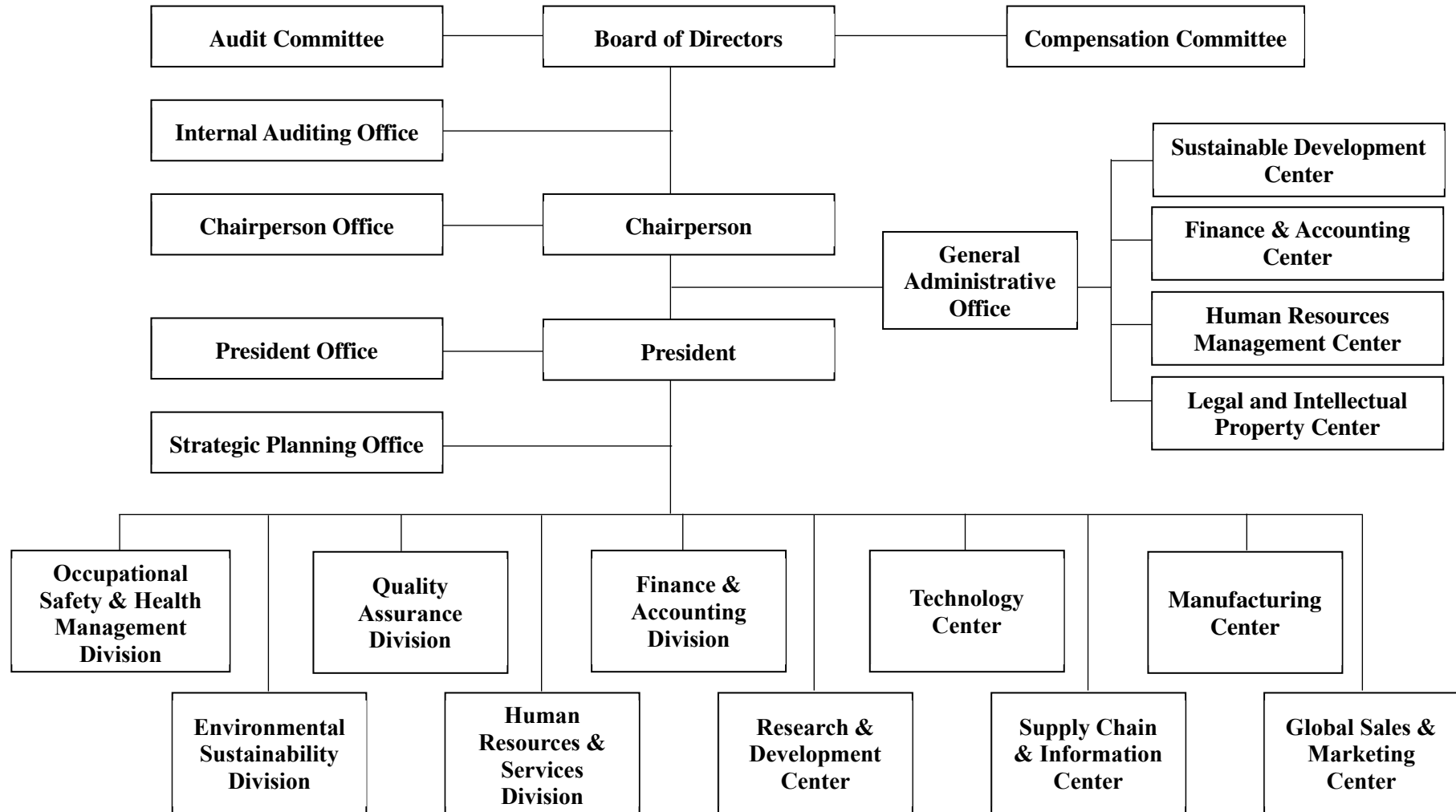
Year	Milestones
October, 2021	<p>Received a certificate of the Kaohsiung City Government for Mid-Autumn Festival Gifts from Sheltered Workshop to Help Disabled Friends.</p> <p>Received a certificate of Social Affairs Bureau, Kaohsiung City Government for supporting Mid-Autumn Festival Gifts from disability organizations.</p>
November, 2021	<p>Issued the first overseas unsecured convertible bonds of US\$70 million at the Singapore Exchange Limited on November 30.</p>
December, 2021	<p>Obtained ISO 50001 Energy Management System certification.</p> <p>Received recognition from the Kaohsiung United Charity Association for One Day Volunteer and donations to help families with financial hardship.</p>
January, 2022	<p>Received trophy from Kaohsiung Export Processing Zone Administration for participating in blood donation activities.</p>

III. Corporate Governance

1. Organization

(1) Organizational Structure

March 28, 2022



(2) Functions

Departments	Functions
Internal Auditing Office	<ol style="list-style-type: none"> 1. Review and assess the reliability and effectiveness of internal controls and make recommendations for an effective operation. 2. Conduct routine and non-routine audits.
Chairperson Office	Assist the Chairperson with internal management and external issues.
General Administrative Office	Manage the execution of Company business in accordance with resolutions of the Shareholders' Meetings and the Board meetings and orders from the Board.
Sustainable Development Center	<ol style="list-style-type: none"> 1. Plan and drive the sustainable developments of the Group to be aligned with international sustainability issues and incorporate them in corporate development strategies; focus on sustainability risk management and opportunities as well as industry value chain; and take on the missions of realizing ESG sustainability and bringing positive energy to the world. 2. Take actions pursuant to the SBTi's science-based targets, adopt relevant international verifications and collaborate with internal and external stakeholders as well as value chain partners to achieve the global vision of zero-waste circular economy by 2030 and Net Zero by 2050.
Finance & Accounting Center	<ol style="list-style-type: none"> 1. Financial, accounting and tax planning and management for the Group. 2. Carry out operation forecast simulation, analysis and improvement for the Group and business units. 3. Assess, execute and manage strategic investments. 4. Maintain investor and public relations. 5. Handle and promote corporate governance affairs.
Human Resources Management Center	<ol style="list-style-type: none"> 1. Formulate HR development blueprints and strategies, establish motivational and innovative mechanisms for talent attraction, cultivation and retention, build human capital and improve readiness. 2. Establish, integrate and manage human resource management policies and systems of the Group. 3. Enhance corporate image and build corporate culture for the Group. 4. Comply with and response to labor-related laws and regulations. 5. Plan, execute and supervise general and public affairs.
Legal and Intellectual Property Center	Handle legal affairs of the Company, including compliance with domestic and overseas regulations, management and litigations concerning business contract, patents and other intellectual property rights, and provision of business-related legal consultations.
President Office	Assist the President with internal management and external issues.
Strategic Planning Office	<ol style="list-style-type: none"> 1. Analyze technology and industry market dynamics to facilitate the Group with identifying business opportunities. 2. Plan and drive the short and long-term strategies of the Group and monitor the implementation outcome. 3. Assess potential strategic investments, M&A targets and cooperation opportunities.
Occupational Safety & Health Management Division	Formulate, plan, supervise and promote safety and health management of the Group and provide guidance for implementation.
Quality Assurance Division	<ol style="list-style-type: none"> 1. Establish and maintain the quality control system. 2. Inspect and accept raw materials and perform quality control inspections on processes and products. 3. Monitor product quality and provide relevant data to manufacturing units. 4. Support sales with technical consultation to customers.

Departments	Functions
Research & Development Center	Formulate product development blueprints based on the development strategies of the Group and align product launches with business units' operation needs to enhance the competitiveness of the Group.
Technology Center	Develop and introduce new products, materials, technology and institutions based on the development strategies of the Group and business units.
Supply Chain & Information Center	<ol style="list-style-type: none"> 1. Plan production capacity and acquire, configure and consolidate the allocation of raw materials and finished goods based on the Company's sales and procurement strategies so as to meet the sales and cost targets. 2. In charge of the Company's procurement of raw materials, supplies and equipment as well as bonding and customs affairs. 3. Coordinate matters including production plan management and resource integration. 4. Implement information policy and standards, and carry out information system development planning and installation of the Group. 5. Evaluate new public facilities and optimize as well as improve the organization. 6. Formulate and implement the repair and maintenance plans for public facilities.
Manufacturing Center	<ol style="list-style-type: none"> 1. In charge of product manufacturing and the maintenance, upkeep, repair, and automation enhancement of manufacturing equipment. 2. Improve production yield and utilization along with technology and equipment. 3. Formulate and implement the repair and maintenance plans for production equipment. 4. Calculate the standard work hour, direct labor allocation and production capacity of single major (coating/rolling/laminating/slitting) equipment. 5. Improve the time for utilization target, yield target and major equipment downtime target. 6. Integrate and improve system requirements and processes of manufacturing center.
Global Sales & Marketing Center	<ol style="list-style-type: none"> 1. In charge of domestic and overseas production and act as an agent for product sales. 2. In charge of collecting market intelligence and analyzing the industry and macro economy. 3. Plan and market FPC products as well as provide new product development plan requirements to the R&D. 4. Provide customers with product solutions, answers to issues concerning new products and responses to complaints on new product sampling.

2. Directors, Supervisors, Presidents, Vice Presidents, Assistant Vice Presidents and Managers of Departments and Branches:

(1) Directors and Supervisors

A. Directors and Supervisors

As of March 28, 2022 (In Shares; %)

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Selected Past Positions	Selected Present Positions at Taiflex and Other Companies	Managers, Directors or Supervisors Who are Spouses or within Second-Degree of Kinship to Each Other			Remark (1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
							Corporate Director	R.O.C.	Qiao Mei Development Corporation	-	2020.05	3 years	2000.04	15,713,729			7.51	16,263,729	7.78	
Representative of Corporate Director	R.O.C.	Ta-Wen Sun	Male 57	2020.05	3 years	2000.04	838,760	0.40	838,760	0.40	53,722	0.03	0	0	Bachelor of Business Administration, Fu Jen Catholic University	Chairperson of Taiflex Scientific Co., Ltd. Chairperson of Taichem Materials Co., Ltd. (Note 2) Chairperson of Qiao Mei Development Corporation Chairperson of You Ben Investment Co., Ltd. Chairperson of Innatech Co., Ltd. Chairperson of Taiflex Green Power Co., Ltd. (Note 2) Director of Rudong Fuzhan Scientific Co., Ltd. (Note 2) Independent Director of Advanced Ceramic X Corp.	-	-	-	-
Director	R.O.C.	Chein-Ming Hsu	Male 69	2020.05	3 years	2017.05	0	0	0	0	0	0	0	0	Electrical Engineering, Chung Yuan Christian University Former Electronic Communication & Power Director of 3M Company (the Greater China Region) Former Electronic Communication Promotion Director of 3M Company (the	Vice Chairperson of Taiflex Scientific Co., Ltd. Corporate Representative Director of Taichem Materials Co., Ltd. (Note 2) Director of Taiflex Green Power Co., Ltd. (Note 2)	-	-	-	-

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Selected Past Positions	Selected Present Positions at Taiflex and Other Companies	Managers, Directors or Supervisors Who are Spouses or within Second-Degree of Kinship to Each Other			Remark (1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														Asia-Pacific Region) Former CEO of 3M Thailand Limited						
Director	R.O.C.	Ching-Yi Chang	Male 61	2020.05	3 years	2002.06	5,009,282	2.40	5,829,282	2.79	2,000	0	0	0	Master of Business Administration, National Chengchi University	Chairperson of the CID Group Ltd. Chairperson of LandMark Optoelectronics Corporation Director of Entire Technology Co., Ltd. Director of Eurocharm Holdings Co., Ltd.	-	-	-	-
Director	R.O.C.	Fu-Le Lin	Male 61	2020.05	3 years	1997.08	338,249	0.16	290,249	0.14	10,663	0.01	0	0	Ph.D. in Polymer Science, University of Akron, USA Former Senior Engineer of Vishay General Semiconductor Taiwan Ltd. Former Researcher of Material Research Laboratories, Industrial Technology Research Institute	Senior R&D Director of Taiflex Scientific Co., Ltd. Corporate Representative Director of Koatech Technology Corporation	-	-	-	-
Corporate Director	R.O.C.	Fuding Investment Co., Ltd.	-	2020.05	3 years	2014.06	1,020,000	0.49	1,020,000	0.49	0	0	0	0	-	-	-	-	-	-
Representative of Corporate Director	R.O.C.	Re-Zhang Lin	Male 69	2020.05	3 years	2014.06	0	0	0	0	0	0	0	0	Bachelor of Accounting, Soochow University	Chairperson of Taiwan Fu Hsing Industrial Co., Ltd. Corporate Representative Director of Fine Blanking & Tool Co., Ltd. Corporate Representative Director of Launch Technologies Co., Ltd. Corporate Representative Supervisor of Advanced International Multitech Co., Ltd.	-	-	-	-

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Selected Past Positions	Selected Present Positions at Taiflex and Other Companies	Managers, Directors or Supervisors Who are Spouses or within Second-Degree of Kinship to Each Other			Remark (1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	Chun-Chi Lin	Male 63	2020.05	3 years	2017.05	0	0	0	0	0	0	0	0	EMBA, College of Management, National Taiwan University Former President of KANTO-PPC Inc. Former Executive Vice President of Global Unichip Corporation Former CEO of Xintec Inc. Former CEO/President of VisEra Technologies Co., Ltd.	Independent Director of Silicon Optronics, Inc. Independent Director of M31 Technology Corporation Corporate Representative Director of SG Biomedical Co., Ltd. Corporate Representative Director of PentaPro Materials Inc. Chairperson of Taiwan Electron Microscope Instrument Corporation	-	-	-	-
Independent Director	R.O.C.	Wen-I Lo	Male 61	2020.05	3 years	2017.05	0	0	0	0	0	0	0	0	Master of Business Administration, National ChengChi University Former Vice President of CDIB Capital Management Corporation Former President of China Venture Management, Inc. Former President of R.O.C. Strategic Company Ltd. Former President of R.O.C. Venture Co., Ltd.	Chairperson of CSX Material Co., Ltd. Independent Director of ADO Optronics Corporation Corporate Representative Director of Gemtek Technology Co., Ltd. Corporate Representative Director of PCL (Hsinchu) Co., Ltd. Director of Sweepot Inc. Corporate Representative Supervisor of REC Technology Corporation Chairperson of Feng Yi Capital Management Co., Ltd. Supervisor of Wholesenses Global Corp.	-	-	-	-
Independent Director	R.O.C.	Duen-Jen Cheng (Note 3)	Male 63	2020.05	3 years	2020.05	0	0	0	0	0	0	0	0	Ph.D. in Materials Engineering, National Cheng Kung University Former Senior R&D Manager of CYNTEC	Director and CEO of INPAQ Technology Co., Ltd. Chairperson/CTO of APAQ Technology Co., Ltd.	-	-	-	-

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Selected Past Positions	Selected Present Positions at Taiflex and Other Companies	Managers, Directors or Supervisors Who are Spouses or within Second-Degree of Kinship to Each Other			Remark (1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														Co., Ltd. Former Principal Researcher of Material Research Laboratories, Industrial Technology Research Institute	Supervisor of King Polytechnic Engineering Co., Ltd. Supervisor of Bioptik Technology Inc. CTO of Walsin Technology Corporation					
Independent Director	R.O.C.	Shi-Chern Yen	Male 68	2020.05	3 years	2017.05	0	0	0	0	0	0	0	0	Ph.D. in Chemical Engineering, University of Wisconsin	Independent Director of Shin Foong Specialty and Applied Materials Co., Ltd. Independent Director of Subtron Technology Co., Ltd. Independent Director of E Ink Holdings Inc. Adjunct Professor of Chemical Engineering, National Taiwan University	-	-	-	-
Independent Director	R.O.C.	Yung-Shun Chuang (Note 4)	Male 70	2021.07	3 years	2021.07	0	0	0	0	0	0	0	0	Honorary Doctorate, National Taiwan University of Science and Technology	Chairperson of AAEON Technology Inc. Chairperson of EverFocus Electronics Corporation Chairperson of ONYX Healthcare Inc. Director of MACHVISION Inc. Director of King Core Electronics Inc. Corporate Representative Director of CHC Healthcare Group Corporate Representative Director of Winmate Inc. Corporate Representative Director of XAC Automation Corp. Director of AtechOEM Inc. Corporate Representative	-	-	-	-

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Selected Past Positions	Selected Present Positions at Taiflex and Other Companies	Managers, Directors or Supervisors Who are Spouses or within Second-Degree of Kinship to Each Other			Remark (1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
																Director of IBASE Technology Inc. Director of Litemax Electronics Inc. Director of Allied Biotech Corporation Independent Director of Top Union Electronics Corp.				

Note 1: Where the Company's Chairperson and President or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, please state the reasons, reasonability, necessity and measures to be taken (e.g., increase the number of Independent Directors and have majority of Directors not serving as employees or managerial officers): None.

Note 2: Rudong Fuzhan Scientific Co., Ltd., Taichem Materials Co., Ltd. and Taiflex Green Power Co., Ltd. are 100%-owned investees of the Company.

Note 3: Mr. Duen-Jen Cheng resigned from his position as an Independent Director due to personal reason on March 17, 2021.

Note 4: Mr. Yung-Shun Chuang was elected as an Independent Director in the by-election on July 16, 2021.

(a) Major shareholders of corporate shareholders

As of March 28, 2022

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholders	Shareholding %
Qiao Mei Development Corporation	You Ben Investment Co., Ltd.	22.74
	Ching-Yi Chang	21.58
	Tai Cheng International Co., Ltd	20.00
	Ju Yang Investment Ltd.	12.54
	Xiang Yao International Investment Co., Ltd.	9.95
	Xiu-Zhen Yang	4.98
	Qian-Ying Yang	2.49
	Zhi-Cheng Zhang	2.49
	Ai-Lin Sun	2.23
	Jun-Xiang Zhang	0.50
	Jia-Dong Zhang	0.50
Fuding Investment Co., Ltd.	Fuxun Investment Co., Ltd.	41.96
	Hongcheng Investment Co., Ltd.	16.77
	ShengYou Investment Co., Ltd.	10.43
	LianYu Investment Development Co., Ltd.	7.86
	DeLi International Investment Co., Ltd.	7.32
	LianQuang Investment Co., Ltd.	3.66
	Jian-Kun Chen	2.63
	Zi-Yang Lin	2.14
	Yi-Xin Wu	1.79
	Zi-Xuan Lin	1.43

(b) Major shareholders of the “Major Shareholders of Corporate Shareholders” in the table above

As of March 28, 2022

Name of Juridical Person	Major Shareholders of the Juridical Person
You Ben Investment Co., Ltd.	Ta-Wen Sun
Tai Cheng International Co., Ltd	Zhi-Cheng Zhang
	Pei-Ru Lin
Ju Yang Investment Ltd.	Xiu-Zhen Yang
	Ming-Zhi Zheng
Xiang Yao International Investment Co., Ltd.	Yu-Hui Lin
	Yu-Mei Lin
	Mei-Dai Zhang

Name of Juridical Person	Major Shareholders of the Juridical Person
FuXun Investment Co., Ltd.	Rui-Bi Zhang
	Zi-Xuan Lin
	Zi-Yang Lin
	Re-Zhang Lin
HongCheng Investment Co., Ltd.	Li-Wen Lin-Yin
	Zhao-Hong Lin
	Shao-Qian Lin
	Shao-Jie Lin
ShengYou Investment Co., Ltd.	Miao-Zhen Lin
	Deng-Cai Lin
	Bing-Kuan Lin
	Zhi-Wei Lin
	Zhi-Ning Lin
LianYu Investment Development Co., Ltd.	Wen-Xing Lin
	Mei-Hui Xu
DeLi International Investment Co., Ltd.	Miao-Yin Lin
	Zhen-Yue Chen
	Si-Jin Chen
	Si-Kai Chen
LianQuang Investment Co., Ltd.	Wen-Xing Lin
	Mei-Hui Xu
	Zhi-Cheng Lin
	Zhi-You Lin

B. Professional Qualifications of Directors and Independence Status of Independent Directors

As of March 28, 2022

Conditions Name	Professional Qualifications and Experiences (Note 1)	Independence Status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Qiao Mei Development Corporation Representative: Ta-Wen Sun	Chairperson, Ta-Wen Sun (57-year-old), graduated from Fu Jen Catholic University with a Bachelor of Business Administration. He has been awarded the Model of Entrepreneurs Award and served as chairperson in multiple companies. He has vast experience and expertise in business management of the information and electronic industry.	Chairperson, Ta-Wen Sun, is an employee of the Company as well as a chairperson or director of the Company's wholly-owned investees. He is also the representative of Qiao Mei Development Corporation, which holds more than 5% of the Company's shares. He has satisfied all other independence criteria (Note 3).	1
Chein-Ming Hsu	Vice Chairperson, Chein-Ming Hsu (69-year-old), graduated from Chung Yuan Christian University majoring in Electrical Engineering. He was the Electronic Communication & Power Director of 3M Company (the Greater China Region), Electronic Communication Promotion Director of 3M Company (the Asia-Pacific Region) and CEO of 3M Thailand Limited. He has vast experience in the management of international corporations.	Vice Chairperson, Chein-Ming Hsu, is an employee of the Company as well as a chairperson or director of the Company's wholly-owned investees. He has satisfied all other independence criteria (Note 3).	0
Ching-Yi Chang	Director, Ching-Yi Chang (61-year-old), graduated from National Chengchi University with a Master of Business Administration. He is the founder of CID Group Ltd. and has the reputation of "King of Venture Capital" in Taiwan. He is also the chairperson of LandMark Optoelectronics Corporation with expertise in information and electronic, business management, investment management and risk control.	Director, Ching-Yi Chang, is not an employee of the Company. However, his holdings in the Company exceeds 1% and is one of the top 10 natural-person shareholders of the Company. He has satisfied all other independence criteria (Note 3).	0
Fu-Le Lin	Director, Fu-Le Lin (61-year-old), graduated from University of Akron, USA with a Ph.D. in Polymer Science. He once worked in Vishay General Semiconductor Taiwan Ltd. and Industrial Technology Research Institute. Being one of the Company's founders, he is also the former chairperson of the subsidiary - Koatech Technology Corporation. His expertise lies in polymer materials and business management.	Director, Fu-Le Lin, is an employee of the Company as well as a director of the Company's wholly-owned investees. He has satisfied all other independence criteria (Note 3).	0
Fuding Investment Co., Ltd. Representative: Re-Zhang Lin	Director, Re-Zhang Lin (69-year-old), graduated from Soochow University with a Bachelor of Accounting. He is the chairperson of Taiwan Fu Hsing Industrial Co., Ltd. as well as a director in several TPEX-listed companies. His expertise lies in accounting and business management.	Director, Re-Zhang Lin, is not an employee of the Company but is elected as a representative of corporate director. He has satisfied all other independence criteria (Note 3).	0

Name	Professional Qualifications and Experiences (Note 1)	Independence Status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chun-Chi Lin	Director, Chun-Chi Lin (63-year-old), graduated from National Taiwan University with an EMBA. He is the former CEO of Xintec Inc., an investee of Taiwan Semiconductor Manufacturing Company Limited, the chairperson of Taiwan Electron Microscope Instrument Corporation and an Independent Director of Silicon Optronics, Inc. and M31 Technology Corporation. He has vast experience in information, electronic, material science, business management and risk management.	Director, Chun-Chi Lin, is not an employee of the Company and has satisfied all independence criteria (Note 3).	2
Wen-I Lo	Independent Director, Wen-I Lo (61-year-old), graduated from National ChengChi University with a Master of Business Administration. He is also the convener of the Company's Audit Committee and has a CPA license. He was the President of China Venture Management, Inc. and the Vice President of CDIB Capital Management Corporation. He now serves as a director or a supervisor in other TWSE and TPEX-listed companies. He has vast experience and expertise in accounting, business management and risk management and is not a person of any conditions set forth in Article 30 of the Company Act.	Independent Director, Wen-I Lo, is not an employee of the Company and has satisfied all independence criteria (Note 3).	1
Duen-Jen Cheng (Note 2)	Independent Director, Duen-Jen Cheng (63-year-old), graduated from National Cheng Kung University with a Ph.D. in Materials Engineering. He is the chairperson/CTO of APAQ Technology Co., Ltd. He resigned from his position as an Independent Director and the convener of the Compensation Committee due to personal reason on March 17, 2021.	Independent Director, Duen-Jen Cheng, resigned from his position as an Independent Director and the convener of the Compensation Committee on March 17, 2021. Statements concerning his independence status (Note 3) are no longer required.	1
Shi-Chern Yen	Independent Director, Shi-Chern Yen (68-year-old), graduated from University of Wisconsin with a Ph.D. in Chemical Engineering. He was the Professor of Chemical Engineering in National Taiwan University until retirement. He is now the honorary and adjunct Professor of Chemical Engineering in National Taiwan University and a member of the Company's Compensation Committee and Audit Committee. Professor Yen has profound knowledge in chemical engineering and environmental safety and health, which is beneficial to the Company concerning risk management of factory operation. Mr. Shi-Chern Yen is not a person of any conditions set forth in Article 30 of the Company Act.	Independent Director, Shi-Chern Yen, is not an employee of the Company and has satisfied all independence criteria (Note 3).	3

Conditions Name	Professional Qualifications and Experiences (Note 1)	Independence Status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Yung-Shun Chuang	Independent Director, Yung-Shun Chuang (70-year-old), is an Honorary Doctorate of National Taiwan University of Science and Technology. He was elected as an Independent Director in the by-election at Shareholders' Meeting on July 16, 2021. He is the convener of the Compensation Committee and a member of the Audit Committee. He is a chairperson in multiple TWSE-listed companies and serves concurrently as a director, thereby having vast experience and expertise in business and risk management. He is not a person of any conditions set forth in Article 30 of the Company Act.	Independent Director, Yung-Shun Chuang, is not an employee of the Company and has satisfied all independence criteria (Note 3).	1

Note 1: Please refer to page 13 to 17 for detailed information on individual Director's education, work experience and positions held in the Company and others.

Note 2: Mr. Duen-Jen Cheng resigned from his position as an Independent Director due to personal reason on March 17, 2021.

Note 3: Independence criteria are set out below:

- (1) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of managerial officers.
- (2) Not a director, supervisor, or employee of a company whose majority of directorships or voting rights are controlled by a shareholder who also controls the majority of directorships or voting rights of the Company. (Not applicable in cases where the person is an Independent Director appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws of the country where the business is located by, and concurrently serve as such at, the Company, its parent company, subsidiary, or subsidiaries that belong to the same parent company.)
- (3) Not a director, supervisor or employee of a company or institution whose chairperson, president, or an officer of equivalent position is the same person as, or a spouse to, one of the persons holding the same positions in the Company. (Not applicable in cases where the person is an Independent Director appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws of the country where the business is located by, and concurrently serve as such at, the Company, its parent company, subsidiary, or subsidiaries that belong to the same parent company.)
- (4) Not a director, supervisor, managerial officer, or shareholder with shareholding of 5% or more of a specific company or institution that has a financial or business relationship with the Company. (Not applicable in cases where the specific company or institution owns 20% (inclusive) to 50% (exclusive) of the Company's total number of issued shares, and the person is an Independent Director appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws of the country where the business is located by, and concurrently serve as such at, the Company, its parent company, subsidiary, or subsidiaries that belong to the same parent company.)
- (5) Not a professional individual who, nor an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the Company or its affiliates, or provides commerce, law, finance, accounting or related services to the Company or its affiliates with a cumulative compensation under NT\$500,000 in the past two years, nor a spouse thereof. However, this requirement is not applicable where members of the Remuneration Committee, Public Tender Offer Review Committee, or Special Committee for Merger/Acquisition perform duties pursuant to laws and regulations in association with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (6) Not a spouse or a relative within the second degree of kinship to any other director of the Company.
- (7) Not being a person of any conditions defined in Article 30 of the Company Act.

C. Board Diversity and Independence Status

(a) Board diversity:

- i. The Company has formulated the "Code of Practice for Corporate Governance" and the diversification policy is stipulated in Chapter III. Strengthen the Board's Functions.

ii. Board members have diverse backgrounds. The expertise of Board members covers global perspectives, regional management capabilities, financial management, copper manufacturing, polymer chemical engineering and international business, which shapes a well-structured Board.

iii. Board diversity:

Diverse Core Items Name of Directors		Basics						Industry Experience				Professional Competence					
		Nationality	Gender	Taiflex Employee	Age		Seniority of Independent Director		Finance	Investment	Information and Electronics	Materials Science	Law	Accounting and Finance	Operation Management	Risk Management	
					51 to 60	61 to 70	Under 3 years	3 to 9 years									
Chairperson	Qiao Mei Development Corporation Representative: Ta-Wen Sun	R.O.C.	Male	V	V				★	V	V	★		V	V	V	
Director	Ching-Yi Chang					V			V	V	V	V		V	V	V	V
Director	Chein-Ming Hsu			V		V					V	V				V	V
Director	Fuding Investment Co., Ltd. Representative: Re-Zhang Lin					V				V	★	V		V	V	V	V
Director	Chun-Chi Lin					V				V	V	V		★	V	V	V
Director	Fu-Le Lin			V		V					V	V				V	V
Independent Director	Wen-I Lo					V		V	V	V	V	V	V	V	V	V	V
Independent Director	Yung-Shun Chuang					V	V				V	V		★	V	V	V
Independent Director	Shi-Chern Yen					V		V				V	V			V	V

Note: V competent; ★ partially competent

iv. Based on current scale and development, the Company has nine Directors (including three Independent Directors), of which, there are three Directors serving concurrently as managerial officers, three Independent Directors and three outside Directors, which is in compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

(b) Independence Status of the Board

The Company has three Independent Directors which account for one-third of the total number of Directors, thereby satisfying the regulatory requirements. Upon assessment, all Directors have met the independence criteria and circumstances set forth in Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act do not exist, including situations where Directors are spouses or within second-degree of kinship to each other.

The Company would constantly assess Directors' independence, which covers areas such as if the Directors can continue to raise constructive issues to the management and other Directors, whether their opinions are independent of other Directors or the management, and if their behaviors both in and outside the Board are appropriate. All Directors in the Board meetings this year had demonstrated the said characteristics and maintained positive interactions with management of the Company.

(2) Presidents, Vice Presidents, Assistant Vice Presidents and Managers of Departments and Branches

As of March 28, 2022 (In Shares; %)

Title	Nationality	Name	Gender	On-Board Date	Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Selected Past Positions	Selected Present Positions at Other Companies	Managers Who are Spouses or within Second-Degree of Kinship to Each Other			Remark (5)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C.	Zong-Han Jiang	Male	2021.01	0	0	0	0	0	0	Master of Mechanical Engineering, University of Southern California Former Assistant Vice President of Ko-E Limited, Yageo Corp.	Chairperson of Taiflex Scientific (Japan) Co., Ltd. (Note 1) Chairperson of Kunshan Taiflex Electronic Co., Ltd. (Note 1) Chairperson of Shenzhen Taiflex Electronic Co., Ltd. (Note 1) Director of Rudong Fuzhan Scientific Co., Ltd. (Note 1) Corporate Representative Director of Taichem Materials Co., Ltd. (Note 1)	-	-	-	-
Senior R&D Director	R.O.C.	Fu-Le Lin	Male	1998.04	290,249	0.14	10,663	0.01	0	0	Ph.D. in Polymer Science, University of Akron, USA Former Senior Engineer of Vishay General Semiconductor Taiwan Ltd. Former Researcher of Material Research Laboratories, Industrial Technology Research Institute	Corporate Representative Director of Koatech Technology Corporation	-	-	-	-
Vice President	R.O.C.	Jiang-Zhi Zhao	Male	2007.04	0	0	0	0	0	0	Master of Science in Finance, Drexel University Former Vice President of Cradle Technology Corp. Former Vice President of Origo Co., Ltd.	Corporate Representative Director of Koatech Technology Corporation Corporate Representative Director of Taichem Materials Co., Ltd. (Note 1)	-	-	-	-
Senior Assistant Vice President	R.O.C.	Zhen Lin	Male	2014.02	60	0	2,000	0	0	0	Master of Mechanical Engineering, National Taiwan University Former Acting Plant Chief of Himax Technologies, Inc	Director and President of Taiflex Green Power Co., Ltd. (Note 1)	-	-	-	-

Title	Nationality	Name	Gender	On-Board Date	Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Selected Past Positions	Selected Present Positions at Other Companies	Managers Who are Spouses or within Second-Degree of Kinship to Each Other			Remark (5)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior Assistant Vice President	R.O.C.	Chong-Chen Liu	Male	2016.02	68,561	0.03	0	0	0	0	Bachelor of Information Technology and Computer Science, Feng-Chia University Former Assistant Vice President of W&Jsoft Inc.	President of Rudong Fuzhan Scientific Co., Ltd. (Note 1)	-	-	-	-
Senior Assistant Vice President	R.O.C.	Guo-Xiong Xia	Male	2017.02	10,573	0.01	0	0	0	0	Master of Biomedical Science and Engineering, National Yang-Ming University	-	-	-	-	
Senior Assistant Vice President	R.O.C.	Bing-Xun Zhang	Male	2018.02	0	0	0	0	0	0	Master of Industrial Engineering, National Taiwan University	Director and President of Kunshan Taiflex Electronic Co., Ltd. (Note 1)	-	-	-	-
Assistant Vice President	R.O.C.	Xin-Yuan Chen	Male	2020.05	0	0	0	0	0	0	Master of Industrial Engineering and Business Information Department, Tunghai University Former Manager of Himax Technologies, Inc.	-	-	-	-	
Assistant Vice President	R.O.C.	Kuo-Liang Chiang	Male	2021.07	243	0	0	0	0	0	Master of Safety, Health and Environmental Engineering, National Kaohsiung First University of Science and Technology	-				
Assistant Vice President	R.O.C.	Yu-Han Huang	Female	2021.07	0	0	0	0	0	0	Master of Logistics Management, National Kaohsiung First University of Science and Technology	Director of Shenzhen Taiflex Electronic Co., Ltd. (Note 1) Director of Kunshan Taiflex Electronic Co., Ltd. (Note 1)				
Assistant Vice President	R.O.C.	Yu-Meng Hsu	Female	2021.11	0	0	0	0	0	0	Master of E-Commerce, National University, California, CA Senior Buyer of Verari Systems Inc. Director of Commercial Marketing of Motech Industries Inc.	-				
Plant Chief	R.O.C.	I-An Chen	Male	2022.02	0	0	0	0	0	0	Master of Industrial Engineering and Management, National Pingtung University of Science and Technology	-				

Title	Nationality	Name	Gender	On-Board Date	Shareholding		Spouse and Minor Children		Nominee Arrangement		Education and Selected Past Positions	Selected Present Positions at Other Companies	Managers Who are Spouses or within Second-Degree of Kinship to Each Other			Remark (5)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chief Financial Officer	R.O.C.	Fang-I Hsieh	Female	2005.10	147,583	0.07	50,616	0.02	0	0	Master of Finance, National Sun Yat-Sen University	Director/President of Taichem Materials Co., Ltd. (Note 1)	-	-	-	-
Corporate Governance Officer	R.O.C.	Chi-Yuan Pan	Male	2020.08	0	0	0	0	0	0	Master of Business Administration, National Cheng Kung University	Supervisor of Koatech Technology Corporation Supervisor of Taichem Materials Co., Ltd. (Note 1) Supervisor of Rudong Fuzhan Scientific Co., Ltd. (Note 1) Supervisor of Kunshan Taiflex Electronic Co., Ltd. (Note 1)	-	-	-	-
Internal Audit Officer	R.O.C.	Shu-Zhen Guo	Female	2002.09	108	0	0	0	0	0	Bachelor of Business Management-Accounting, National Sun Yat-Sen University	-	-	-	-	-

Note 1: Taiflex Scientific Japan Co., Ltd., Kunshan Taiflex Electronic Co., Ltd., Shenzhen Taiflex Electronic Co., Ltd., Rudong Fuzhan Scientific Co., Ltd., Taichem Materials Co., Ltd., and Taiflex Green Power Co., Ltd. are 100%-owned investees of the Company.

Note 2: Where the Company's President or personnel with equivalent position (chief manager) and Chairperson are the same person, spouses or relatives within one degree of kinship, please state the reasons, reasonability, necessity and measures to be taken (e.g., increase the number of Independent Directors and have majority of Directors not serving as employees or managerial officers): None.

Remuneration Paid to Directors

Ranges	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	From Taiflex	From All Consolidated Entities	From Taiflex	From All Consolidated Entities
Under NT\$1,000,000	Duen-Jen Cheng	Duen-Jen Cheng	Duen-Jen Cheng	Duen-Jen Cheng
NT\$1,000,000 ~ NT\$1,999,999	Ching-Yi Chang, Fu-Le Lin, Chun-Chi Lin, Chein-Ming Hsu, Yung-Shun Chuang, Corporate Directors of Fuding Investment Co., Ltd. Representative: Re-Zhang Lin	Ching-Yi Chang, Fu-Le Lin, Chun-Chi Lin, Chein-Ming Hsu, Yung-Shun Chuang, Corporate Directors of Fuding Investment Co., Ltd. Representative: Re-Zhang Lin	Ching-Yi Chang, Chun-Chi Lin, Yung-Shun Chuang, Corporate Directors of Fuding Investment Co., Ltd. Representative: Re-Zhang Lin	Ching-Yi Chang, Chun-Chi Lin, Yung-Shun Chuang, Corporate Directors of Fuding Investment Co., Ltd. Representative: Re-Zhang Lin
NT\$2,000,000 ~ NT\$3,499,999	Wen-I Lo, Shi-Chern Yen	Wen-I Lo, Shi-Chern Yen	Wen-I Lo, Shi-Chern Yen	Wen-I Lo, Shi-Chern Yen
NT\$3,500,000 ~ NT\$4,999,999	Corporate Directors of Qiao Mei Development Corporation Representatives: Ta-Wen Sun	Corporate Directors of Qiao Mei Development Corporation Representatives: Ta-Wen Sun	Fu-Le Lin	Fu-Le Lin
NT\$5,000,000 ~ NT\$9,999,999	-	-	Chein-Ming Hsu	Chein-Ming Hsu
NT\$10,000,000 ~ NT\$14,999,999	-	-	Corporate Directors of Qiao Mei Development Corporation Representatives: Ta-Wen Sun	Corporate Directors of Qiao Mei Development Corporation Representatives: Ta-Wen Sun
NT\$15,000,000 ~ NT\$29,999,999	-	-	-	-
NT\$30,000,000 ~ NT\$49,999,999	-	-	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-	-	-
NT\$100,000,000 and above	-	-	-	-
Total	10	10	10	10

(2) Compensation Paid to Presidents and Vice Presidents

As of December 31, 2021 (In Thousands of New Taiwan Dollars; Thousands of Shares; %)

Title	Name	Salary (A)		Severance Pay and Pensions (B)		Bonus and Allowance (C)		Employee Compensation (D)				Total of A, B, C and D and as a % of Net Income		Compensation from Non-Consolidated Affiliates or Parent Company
		From Taiflex	From All Consolidated Entities	From Taiflex	From All Consolidated Entities	From Taiflex	From All Consolidated Entities	From Taiflex		From All Consolidated Entities		From Taiflex	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
Chairperson/CEO of Reinvestment	Ta-Wen Sun	12,077	12,557	0	0	7,873	7,904	7,185	0	7,293	0	27,135; 3.69	27,754; 3.78	None
Vice Chairperson	Chein-Ming Hsu													
President	Zong-Han Jiang													
Senior R&D Director	Fu-Le Lin													
Vice President	Jiang-Zhi Zhao													

Compensation Paid to Presidents and Vice Presidents

Ranges	Names of Presidents and Vice Presidents	
	From Taiflex	From All Consolidated Entities
Under NT\$1,000,000	-	-
NT\$1,000,000 ~ NT\$1,999,999	-	-
NT\$2,000,000 ~ NT\$3,499,999	Fu-Le Lin	Fu-Le Lin
NT\$3,500,000 ~ NT\$4,999,999	Chein-Ming Hsu, Jiang-Zhi Zhao	Chein-Ming Hsu, Jiang-Zhi Zhao
NT\$5,000,000 ~ NT\$9,999,999	Ta-Wen Sun, Zong-Han Jiang	Ta-Wen Sun, Zong-Han Jiang
NT\$10,000,000 ~ NT\$14,999,999	-	-
NT\$15,000,000 ~ NT\$29,999,999	-	-
NT\$30,000,000 ~ NT\$49,999,999	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-
NT\$100,000,000 and above	-	-
Total	5	5

(3) Employee Compensation to Managers

As of December 31, 2021 (In Thousands of New Taiwan Dollars)

	Title	Name	Stock	Cash	Total	Total as a % of Net Income
Managers	Chairperson and CEO of Reinvestment	Ta-Wen Sun	0	12,012	12,012	1.64
	Vice Chairperson	Chein-Ming Hsu				
	President	Zong-Han Jiang				
	Senior R&D Director	Fu-Le Lin				
	Vice President	Jiang-Zhi Zhao				
	Senior Assistant Vice President	Zhen Lin				
	Senior Assistant Vice President	Chong-Chen Liu				
	Senior Assistant Vice President	Guo-Xiong Xia				
	Senior Assistant Vice President	Bing-Xun Zhang				
	Assistant Vice President	Xin-Yuan Chen				
	Assistant Vice President	Kuo-Liang Chiang				
	Assistant Vice President	Yu-Han Huang				
	Assistant Vice President	Yu-Meng Hsu				
	Assistant Vice President	Sheng-Xu Yang				
	Chief Financial Officer	Fang-I Hsieh				
	Corporate Governance Officer	Chi-Yuan Pan				

(4) Analysis of remuneration and compensation paid to Directors, Presidents and Vice Presidents by the Company and all consolidated entities in 2021 and 2020 as a percentage of net income in the parent company only or individual financial statements and explanations on remuneration policy, standards and composition, procedures and the correlation with operation performance and future risks are as follows:

A. Analysis of remuneration and compensation paid to Directors, Supervisors, Presidents and Vice Presidents by the Company and all consolidated entities in 2021 and 2020 as a percentage of net income in the parent company only or individual financial statements:

(In Thousands of New Taiwan Dollars)

Title \ Item	Taiflex				All Consolidated Entities			
	2020		2021		2020		2021	
	Total	%	Total	%	Total	%	Total	%
Remuneration to Directors	37,918	4.91%	36,485	4.97%	37,924	4.91%	36,552	4.98%
Remuneration to Presidents and Vice Presidents	38,270	4.95%	27,135	3.69%	38,408	4.97%	27,754	3.78%
Net income	772,859	-	734,654	-	772,859	-	734,654	-

Note: Remuneration to Directors, Presidents and Vice Presidents decreased in 2021 compared to 2020 due to a decrease in net income year-over-year.

- B. Remuneration policy, standards and composition, procedures and the correlation with operation performance and future risks:
- Remuneration to Directors: Remuneration is determined based on the Articles of Incorporation. The Compensation Committee would evaluate the involvement of Directors in the business operation of the Company and their contributions to the Company, correlate the reasonable fairness of performance risk with remuneration, and make recommendations to the Board. The Board of Directors has been delegated to determine the remuneration based on the recommendations from the Compensation Committee with reference to the remuneration standard of the industry. The Board of Directors would present the distribution proposal at the Shareholders' Meeting for shareholders to approve and finalize the amount.
 - Compensation to Presidents and Vice Presidents: Compensation is determined based on the salary levels among peers, job scopes and degree of contributions by individuals to the Company's operation target. It also takes into account the Company's overall performance and individual's performance and contributions.
 - Compensation paid to individuals are carefully assessed by the Company, and reviewed and resolved by the Compensation Committee and the Board. Thus, we do not expect any significant risk of uncertainty arising from the compensation policy in the future.

4. Corporate Governance Implementation

(1) Board of Directors' Meeting Status:

Mr. Ta-Wen Sun, Chairperson of the Board, convened eight (A) Board meetings in 2021. The attendance status of the Directors are as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remark
Chairperson	Qiao Mei Development Corporation Representative: Ta-Wen Sun	8	0	100%	Re-elected at Shareholders' Meeting on May 28, 2020
Director	Chein-Ming Hsu	8	0	100%	Re-elected at Shareholders' Meeting on May 28, 2020
Director	Ching-Yi Chang	8	0	100%	Re-elected at Shareholders' Meeting on May 28, 2020
Director	Fu-Le Lin	8	0	100%	Re-elected at Shareholders' Meeting on May 28, 2020
Director	Fuding Investment Co., Ltd. Representative: Re-Zhang Lin	8	0	100%	Re-elected at Shareholders' Meeting on May 28, 2020
Director	Chun-Chi Lin	6	1	75%	Re-elected at Shareholders' Meeting on May 28, 2020
Independent Director	Wen-I Lo	8	0	100%	Re-elected at Shareholders' Meeting on May 28, 2020
Independent Director	Duen-Jen Cheng	2	0	100%	Former Independent Director, resigned on March 17, 2021
Independent Director	Yung-Shun Chuang	2	0	100%	Newly elected in the by-election at Shareholders' Meeting on July 16, 2021
Independent Director	Shi-Chern Yen	8	0	100%	Re-elected at Shareholders' Meeting on May 28, 2020

For the Board meetings in 2021, the number of attendance available was 68 times and the attendance in person was 66 times. The attendance rate of the Board as a whole was 97.06%.

Annotations:

1. The Board meeting's date, session, and contents of motions, opinions of all Independent Directors, and actions taken by the Company regarding the opinions shall be specified if one of the following circumstances occurs:
 - (1) Matters specified in Article 14-3 of the Securities and Exchange Act: The Company has established the Audit Committee. Article 14-3 of the Securities and Exchange Act is no longer applicable pursuant to Article 14-5 of the same Act.
 - (2) Except for items specified above, other resolutions on which an Independent Director expresses objection or reservation, either by recorded statement or in writing: None.
2. For situations where Directors recuse themselves from any motion due to conflict of interest, the Directors' names, contents of motions, causes for the recusal, and participation in voting shall be specified:

Date of Board Meeting	Name of Directors	Contents of Motions	Causes for Recusal	Participation in Voting
2021.01.22	Ta-Wen Sun Chein-Ming Hsu Fu-Le Lin	1. The 2020 compensation to employees and remuneration to Directors 2. To discuss the 2020 year-end net income bonus to managers	Being the managers in the motion	Except for the three Directors who recused themselves from the voting due to conflict of interest, the motion was approved by the remaining six Directors in attendance.
2021.06.29	Ta-Wen Sun Chein-Ming Hsu Fu-Le Lin	1. To review the distribution of 2020 remuneration to Directors and compensation to managerial employees	Being the managers in the motion	Except for the three Directors who recused themselves from the voting due to conflict of interest, the motion was approved by the remaining five Directors in attendance.

3. Performance assessment of the Board:

Frequency	Period	Scope	Method	Details
Annually	January 1, 2021 to December 31, 2021	1. Performance assessment on the Board	Internal performance assessment	1. Level of participation in corporate operations. 2. Enhancement on the quality of Board decisions. 3. Composition and structure of the Board. 4. Election and continuing education of Directors. 5. Internal control.
		2. Performance assessment on individual Board members		1. Command over corporate goals and mission. 2. Understanding of Directors' duties. 3. Level of participation in corporate operations. 4. Internal relationship management and communication. 5. Specialty and continuing education of Directors. 6. Internal control.
		3. Performance assessment on functional committees		1. Level of participation in corporate operations. 2. Understanding of functional committees' duties. 3. Enhancement on the quality of functional committees' decisions. 4. Composition of the functional committees and election of members. 5. Internal control.
Once every three years when needed	December 1, 2018 to November 30, 2019	Board efficiency (including performance) assessment	Engage an external professional institution to conduct the performance assessment	The Company commissioned Taiwan Corporate Governance Association in November 2019 to conduct the 2019 Board efficiency (including performance) assessment. The assessment encompassed 8 aspects (Board of Directors' composition, guidance, authorization, supervision, communication, internal control and risk management, discipline and others) and 38

				<p>indexes and was conducted via questionnaires and on-site visits. The Taiwan Corporate Governance Association had issued the Board efficiency (including performance) assessment report on February 21, 2020. The Association had no business transaction with the Company and was independent from the Company. The Company would continue to enhance the functionality of the Board based on recommendations from the Association. The aforementioned recommendations and actions to be taken were reported in the Board meeting on February 26, 2020.</p>
<p>4. Objectives of strengthening the functionality of the Board (e.g., to establish an audit committee, to enhance information transparency, etc.) in the current year and the most recent year and evaluation of the execution thereof:</p> <ol style="list-style-type: none"> (1) The Board had approved “Code of Ethical Conduct”, “Principles of Business Ethics”, “Guidelines on Corporate Governance”, “Procedures and Guidelines of Business Ethics”, “Guidelines on Corporate Social Responsibility”, and “Standard Operating Procedures of Handling Requests from Directors” in order to strengthen the functionality of the Board and enhance information transparency. (2) The Company had drawn up the “Rules of Procedure for the Board of Directors’ Meeting” in accordance with “Regulations Governing Procedure for Board of Directors Meetings of Public Companies”. Directors’ attendance of the Board meetings was available at the Market Observation Post System (MOPS) website, and major resolutions from the Board meetings and election of Independent Directors were disclosed on the Company’s official website. These actions demonstrated our commitment and efforts on enhancing corporate governance functions. (3) The Board had approved the amended “Methods for Evaluating Board of Directors’ Performance” on October 27, 2021. Internal assessments on the Board shall be conducted at least once every year. The latest assessment result was reported in the Board meeting on January 19, 2022. Assessments by external institutions shall be carried out at a minimum of every three years for an objective opinion on the Board efficiency and recommendations for improvement and thereby enhance the Company’s corporate governance level. Please refer to details above for Board performance assessments. (4) The Board meeting on December 23, 2011 had approved the establishment of Compensation Committee to assist the Board with regular reviews and determination of remunerations to Directors and management team. It also performs periodic reviews on performance evaluations of Directors and managers and the policy, system, standards and structure of remuneration. Please refer to page 47 to 48 for details. 				

(2) Operations of Audit Committee:

The summary of tasks completed by and operations of Audit Committee in 2021 are as follows:

- A. The Company’s Audit Committee comprises three Independent Directors. Its function is to supervise the fair presentation of the Company’s financial statements, the appointment (discharge), independence and performance assessment of the Company’s CPAs, the effective implementation of internal controls, regulatory compliance, and controls over existing or potential risks of the Company. Its main responsibilities are listed as follows:
 - (a) To formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
 - (b) To assess the effectiveness of the internal control system.
 - (c) To formulate or amend procedures for significant financial or business activities pursuant to Article 36-1 of the Securities and Exchange Act; for example, acquisition or disposal of assets, derivatives transactions, lending funds to other parties, and provision of endorsements or guarantees to other parties.
 - (d) Matters involving Directors’ personal interests.

- (e) Material asset or derivative instrument transactions.
- (f) Material loans to others or provision of endorsement or guarantees.
- (g) Offering, issuance, or private placement of equity-type marketable securities.
- (h) Appointment and discharge of CPAs or their compensation.
- (i) Appointment or discharge of a financial, accounting, or internal audit officer.
- (j) Annual and semi-annual financial reports.
- (k) Other material matters governed by the Company or the competent authorities.

B. Review financial reports

The Board has prepared the Company's 2021 business report, consolidated and parent company only financial statements and earnings distribution proposal. The consolidated and parent company only financial statements were audited by independent auditors, Fang-Wen Li and Jheng-Chu Chen, of Ernst & Young with independent auditors' reports issued. The above-mentioned business report, consolidated and parent company only financial statements and earnings distribution proposal have been reviewed and determined to be accurate by the Audit Committee.

C. Assess the effectiveness of internal controls

The Audit Committee has assessed the internal control system of the Company as of December 31, 2021 (including its supervision and management over subsidiaries). The assessment covers the effectiveness and efficiency of our operations; the reliability, timeliness and transparency of our financial reporting; and compliance with applicable laws and regulations. The design and execution of internal control systems are found to be effective. Moreover, the internal control system contains self-monitoring mechanisms, and Taiflex takes immediate remedial actions in response to any deficiencies identified.

D. CPAs

Audit Committee is responsible for assessing the independence of the Company's accounting firm to ensure the impartiality of financial reports. Except for tax-related services or items with special approval, the accounting firm cannot provide other services to the Company. Services rendered by the accounting firm shall all be approved by the Audit Committee.

To ensure the independence of the accounting firm, Audit Committee formulates independence assessment procedures in accordance with Article 47 of the Certified Public Accountant Act and Bulletin No. 10, "Integrity, Objectivity and Independence", of the Norm of Professional Ethics for Certified Public Accountants. CPAs are assessed for their independence, professionalism and competence, and whether they are related parties to the Company or have business or financial interests in the Company.

In the 6th meeting of the second-term Audit Committee on February 24, 2021 and the 8th meeting of the ninth-term Board of Directors on February 24, 2021, the independence of CPAs, Fang-Wen Li and Jheng-Chu Chen, from Ernst & Young was assessed and approved. As they both met the Company's standards for independence, they were qualified to be the Company's CPAs for financial statements and tax compliance audits in 2021.

E. Mr. Wen-I Lo, convener of the Audit Committee, convened five (A) meetings in 2021. The attendance status of Independent Directors are as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remark
Convener	Wen-I Lo	5	0	100%	Appointed by the Board on June 8, 2020 (Re-elected at Shareholders' Meeting on May 28, 2020)
Member	Duen-Jen Cheng	2	0	100%	Former member, resigned on March 17, 2021
Member	Yung-Shun Chuang	2	0	100%	Appointed by the Board on July 29, 2021 (Newly elected in the by-election at Shareholders' Meeting on July 16, 2021)
Member	Shi-Chern Yen	5	0	100%	Appointed by the Board on June 8, 2020 (Re-elected at Shareholders' Meeting on May 28, 2020)

Annotations:

1. When one of the following situations occurs, the date and session of Audit Committee meeting; contents of motions; objections, reservations or major recommendations of Independent Directors; resolutions of the Committee and actions taken by the Company regarding the Committee's opinions shall be specified.

(1) Matters specified in Article 14-5 of the Securities and Exchange Act:

Date of Committee Meeting	Session	Contents of Motions	Committee Resolution	Actions Taken
2021.01.22	5 th meeting of the 2 nd term	1. To approve the operation plan and capital expenditure budget for 2021	Approved	N/A
		2. To increase the investment in Rudong Fuzhan Scientific Co., Ltd. by US\$9,000 thousand to meet business needs	Approved	N/A
		3. To participate in the cash capital increase of the subsidiary, Taichem Materials Co., Ltd.	Approved	N/A
2021.02.24	6 th meeting of the 2 nd term	1. To approve the 2020 business report and financial statements	Approved	N/A
		2. To approve the 2020 earnings distribution	Approved	N/A
		3. To approve accounts receivables past due for over three months are not of financing nature as of December 31, 2020	Approved	N/A
		4. To appoint CPAs for 2021 and assess their independence and competence	Approved	N/A
		5. To provide endorsement and guarantee to subsidiaries	Approved	N/A
		6. To assess the effectiveness of internal control system for 2020 and issue the Statement of Internal Control System	Approved	N/A
2021.04.28	7 th meeting of the 2 nd term	1. To approve the consolidated financial statements for the three months ended March 31, 2021	Approved	N/A
		2. To approve accounts receivables past due for over three months are not of financing nature as of March 31, 2021	Approved	N/A
		3. To provide endorsement and guarantee to subsidiaries	Approved	N/A

		4. To approve the provision of Letter of Comfort to investees - Taichem Materials Co., Ltd. and Koatech Technology Corporation	Approved	N/A
2021.07.29	8 th meeting of the 2 nd term	1. To approve the consolidated financial statements for the six months ended June 30, 2021	Approved	N/A
		2. To approve accounts receivables past due for over three months are not of financing nature as of June 30, 2021	Approved	N/A
		3. To carry out a fund-raising project	Approved	N/A
2021.10.27	9 th meeting of the 2 nd term	1. To approve the consolidated financial statements for the nine months ended September 30, 2021	Approved	N/A
		2. To approve accounts receivables past due for over three months are not of financing nature as of September 30, 2021	Approved	N/A
		3. To approve the limit for loans to subsidiaries	Approved	N/A
		4. To propose the execution of derivative trading for a specific purpose	Approved	N/A
		5. 2022 annual audit plan of auditing office	Approved	N/A
		6. To determine the dates for Audit Committee meetings in 2022	Approved	N/A
<p>(2) Except for above-mentioned items, resolutions which were not approved by the Audit Committee but was approved by two-thirds or more of all Directors in 2021: None.</p> <p>2. For situations where Independent Directors recuse themselves from any motion due to conflict of interest, the Independent Directors' names, contents of motions, causes for the recusal, and participation in voting shall be specified: None.</p> <p>3. Communications between the Independent Directors, the internal audit officer, and CPAs (It shall include material issues concerning the finance and business of the Company, and the means and outcomes of communication).</p> <p>(1) Besides submitting audit and follow-up reports on a monthly basis, the Company's internal audit officer presented audit items, audit findings and follow-up status to Independent Directors during the quarterly Audit Committee meetings.</p> <p>(2) The Independent Directors and audit officer all attended the Board meetings convened by the Company each quarter, and the audit officer presented internal audit items at each Board meeting.</p> <p>(3) After reviewing the third-quarter financial statements and auditing the annual financial reports, CPAs attended the Audit Committee meeting to present the review or audit results, key audit matters, significant subsequent events, and updates on relevant laws and regulations. They also discussed, explained and communicated matters fully with Independent Directors.</p> <p>(4) When there were issues to be discussed between the audit officer, CPAs and Independent Directors, they would contact each other directly. The communication channels between them have worked well.</p> <p>(5) Communications between Independent Directors and internal auditors are summarized as follows:</p>				
Meetings Attended by Internal Audit Officer and Dates		Details	Outcome	
2021.01.22 Audit Committee meeting		1. Internal audit items from September to December 2020	1. Reported at the Audit Committee meeting and then the Board meeting	
2021.02.24 Audit Committee meeting		1. Internal audit items from December 2020 to January 2021 2. Assessment on the effectiveness of internal control system for 2020 3. 2020 "Statement of Internal Control System"	1. Reported at the Audit Committee meeting and then the Board meeting 2. Submitted to the Board once approved 3. Submitted to the Board once approved	

2021.04.28 Audit Committee meeting	1. Internal audit items from January to April 2021	1. Reported at the Audit Committee meeting and then the Board meeting
2021.07.29 Audit Committee meeting	1. Internal audit items from April to July 2021	1. Reported at the Audit Committee meeting and then the Board meeting
2021.10.27 Audit Committee meeting	1. Internal audit items from July to October 2021 2. 2022 audit plan	1. Reported at the Audit Committee meeting and then the Board meeting 2. Submitted to the Board once approved
(6) Communications between Independent Directors and CPAs are summarized as follows:		
Meetings Attended by CPAs and Dates	Details	Outcome
2021.02.24 Audit Committee meeting	1. The appointment of CPAs for 2021 and assessments on their independence and competence 2. Explanations on parent company only and consolidated financial statements for the years ended December 31, 2020 3. Updates on the latest securities and tax laws and regulations	CPAs attended and reported at the Audit Committee meeting, and communicated and discussed with Independent Directors. Once reviewed in the Audit Committee meeting, these items were submitted to and approved in the Board meeting.
2021.10.27 Audit Committee meeting	1. Explanations on consolidated financial statements for the nine months ended September 30, 2021 2. Updates on the latest securities and tax laws and regulations	CPAs attended and reported at the Audit Committee meeting, and communicated and discussed with Independent Directors. Once reviewed in the Audit Committee meeting, these items were submitted to and approved in the Board meeting.

(3) Implementation of Corporate Governance Practices and Non-compliance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
1. Does the Company follow “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance practices?	V		The Company has established “Code of Practice for Corporate Governance” in order to enhance its performance in corporate governance, secure shareholders’ rights, improve the functionality of the Board, respect stakeholder’s right and enhance information transparency.	None
2. Ownership structure and shareholders’ rights (1) Does the Company have internal operation procedures to handle shareholders’ suggestions, concerns, disputes and litigations? If yes, has these procedures been implemented accordingly? (2) Does the Company possess a list of major shareholders and ultimate owners of these major shareholders? (3) Does the Company build and execute risk management and firewall mechanism between itself and affiliates? (4) Does the Company have internal rules to prevent insiders from using undisclosed information to trade securities?	V V V V		(1) The Company has spokesperson, deputy spokesperson and departments such as investor relation, shareholder service and legal to handle shareholders’ suggestions or complaints. (2) Pursuant to Article 25 of the Securities and Exchange Act, the Company has monthly updated the changes in shareholdings of internal parties, including Directors, Supervisors, managers and shareholders with more than 10% shareholdings, at MOPS website designated by Securities and Futures Bureau. (3) In addition to various risk management mechanisms already in place, there are Procedures to be followed for operational, business and financial transactions between the Company and its affiliates, for instance, the rules for reinvestments. These Procedures provide guidance for the subsidiaries to establish internal controls in writing, set authorization levels and formulate Procedures for Acquisition or Disposal of Assets, Endorsement and Guarantee, and Lending Funds to Other Parties based on the Company’s corresponding Procedures in order to enforce risk management mechanism on subsidiaries. (4) The Company has established “Code of Ethical Conduct” and “Procedures for Prevention of Insider Trading” prohibiting insiders from using undisclosed information to trade securities. The Company also holds sessions to inform all relevant personnel of the Procedures to avoid any violations.	None
3. Composition and duties of the Board of Directors				

Assessment Item	Status			Non-compliance and Reasons								
	Yes	No	Description									
(1) Has the Board established a diversification policy and specific management goals and have them been implemented accordingly?	V		(1) Please refer to page 22 to 23.	None								
(2) Other than Compensation and Audit Committees which are required by laws, does the Company plan to set up other functional Committees?	V		(2) In addition to the Compensation Committee and the Audit Committee, the Company plans to establish the ESG Committee to assist the Board in managing the Company this year.									
(3) Has the Company formulated rules and methods for the performance assessment of the Board of Directors and evaluate the Board performance every year? Is the outcome of performance assessment submitted to the Board of Directors and used as reference for the remuneration and re-election nomination of individual Director?	V		(3) The Board had amended the “Methods for Evaluating Board of Directors’ Performance” on October 27, 2021. Internal assessments on the Board shall be conducted at least annually and assessments by external institutions shall be carried out at a minimum of every three years at least. Please refer to page 33 to 34 for assessment details. The outcome of 2021 assessment was submitted to the Board meeting on January 19, 2022 and in compliance with the spirit of corporate governance. It also was used as reference for the remuneration and re-election nomination of individual Director.									
(4) Has the Company periodically evaluated the independence of its CPAs?	V		<p>(4) The Board annually evaluates the independence of CPAs and obtains the Declaration of Independence. Once it is confirmed that other than audit and tax fees, there is no financial interests nor business between the Company and the CPAs, and the family members of CPAs do not violate the requirements for independence, the Company would report to the Board. When discussing the independence and engagement of CPAs in the Board meeting, the resume (detailing the CPA’s past and current customers) and independence declaration (that he/she did not violate Article 10 of the Bulletins of Professional Ethics Code for CPAs) of each CPA shall be submitted for evaluation.</p> <p>Standards for CPA independence evaluation:</p> <table border="1"> <thead> <tr> <th>Evaluation Item</th> <th>Evaluation Result</th> <th>Independence Status</th> </tr> </thead> <tbody> <tr> <td>1. Whether the CPAs have remained unchanged for seven years, up till the latest audit?</td> <td>N</td> <td>Y</td> </tr> <tr> <td>2. Whether the CPAs have significant</td> <td>N</td> <td>Y</td> </tr> </tbody> </table>		Evaluation Item	Evaluation Result	Independence Status	1. Whether the CPAs have remained unchanged for seven years, up till the latest audit?	N	Y	2. Whether the CPAs have significant	N
Evaluation Item	Evaluation Result	Independence Status										
1. Whether the CPAs have remained unchanged for seven years, up till the latest audit?	N	Y										
2. Whether the CPAs have significant	N	Y										

Assessment Item	Status				Non-compliance and Reasons
	Yes	No	Description		
				financial interests in the Company?	
				3. Whether the CPAs have improper relationships with the Company?	N Y
				4. Whether the assistants of CPAs have failed to be honest, fair and independent?	N Y
				5. Whether the CPAs have audited the financial statements of companies where they have served during the previous two years?	N Y
				6. Whether the CPAs allow others to use their credentials?	N Y
				7. Whether the CPAs own shares of the Company or its associates?	N Y
				8. Whether there is any financing between the CPAs and the Company or its associates?	N Y
				9. Whether the CPAs have joint investments or profit-sharing agreements with the Company or its associates?	N Y
				10. Whether the CPAs do regular works for the Company or its associates and receive fixed salaries?	N Y
				11. Whether the CPAs are involved with decision-making management functions of the Company or its associates?	N Y
				12. Whether the CPAs engages in businesses which may deprive them of audit independence?	N Y
				13. Whether the CPAs are spouses, lineal relatives, relatives by marriage, or relatives within the second degree of kinship to managerial officers of the	N Y

None

Assessment Item	Status			Non-compliance and Reasons									
	Yes	No	Description										
			<table border="1"> <tr> <td>Company?</td> <td></td> <td></td> </tr> <tr> <td>14. Whether the CPAs received any commissions in association with their businesses?</td> <td>N</td> <td>Y</td> </tr> <tr> <td>15. Up till now, whether there is any circumstance where the CPAs have been punished or the independence principle violated?</td> <td>N</td> <td>Y</td> </tr> </table> <p>The Board evaluated the independence of CPAs, Jheng-Chu Chen and Ching-Piao Cheng, from Ernst & Young on February 23, 2022. As they both met the Company's standards for independence, they were qualified to be our CPAs.</p>	Company?			14. Whether the CPAs received any commissions in association with their businesses?	N	Y	15. Up till now, whether there is any circumstance where the CPAs have been punished or the independence principle violated?	N	Y	
Company?													
14. Whether the CPAs received any commissions in association with their businesses?	N	Y											
15. Up till now, whether there is any circumstance where the CPAs have been punished or the independence principle violated?	N	Y											
4. Does the Company have an adequate number of qualified corporate governance personnel and appoint a chief corporate governance officer to handle matters pertaining to corporate governance (including but not limited to provide information required for business execution by directors and supervisors, assist directors and supervisors with regulatory compliance, handle matters pertaining to board meetings and shareholders' meetings according to laws and regulations, produce minutes of board meetings and shareholders meetings, etc.)?	V		The Company resolved in the Board meeting on July 30, 2020 to appoint the Assistant Vice President of Finance and Accounting Division, Mr. Chi-Yuan Pan, the Corporate Governance Officer to safeguard shareholders' rights and interests and strengthen the Board's functions. Mr. Chi-Yuan Pan has served in the financial managerial position of a public company for over three years. The main duties of a Corporate Governance Officer are to handle matters relating to Board meetings and Shareholders' Meetings according to laws and regulations, prepare minutes of Board meetings and Shareholders' Meetings, assist Directors with onboarding and continuing education, provide information required for business execution of Directors, and assist Directors with regulatory compliances.	None									
5. Has the Company established a communication channel for its stakeholders (including but not limited to shareholders, employees, customers and suppliers) and created a stakeholder section at the Company's website to address their concerns on major corporate social responsibility issues?	V		The Company has spokesperson and deputy spokesperson. Depending on the circumstances, investor relation, shareholder service and legal units would also communicate with stakeholders (including but not limited to shareholders, employees, customers and suppliers). In addition, the contact information of spokesperson and relevant departments can be found at the corporate website and a stakeholder section has been created to address stakeholders' issues of concerns, including corporate social responsibilities. To facilitate effective communications with different stakeholders and report the performance to the Board, matters were addressed in the Board meeting on January 19, 2022.	None									

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
6. Has the Company appointed a professional registrar to organize the Shareholders' Meetings?	V		To service our shareholders, the Company has appointed the stock management service department of Yuanta Securities to manage issues related to shareholders and organize the Shareholders' Meetings.	None
7. Information disclosure (1) Has the Company established a corporate website to disclose information regarding the Company's financials, business and corporate governance status?	V		(1) The Company discloses financial and business information through the corporate website at https://www.taiflex.com.tw , which is maintained by designated persons. Information is available in both Traditional and Simplified Chinese as well as English. Material information, financial status, organization and operation of internal audit, significant laws and regulations, corporate governance information and major resolutions of the Boards are disclosed on the Company's official website for foreign and domestic investors to access.	None
(2) Does the Company have other information disclosure channels (e.g., maintaining an English-language website, designating people to handle information collection and disclosure, appointing spokesperson, webcasting investor conference on the corporate website)?	V		(2) The Company would hold investor conferences when deemed necessary and the video or audio recording of such event would be available in the investors section on the website. Relevant information would be filed on the MOPS website. The Company has set up both Traditional and Simplified Chinese as well as English corporate websites and appointed dedicated personnel to collect relevant data and disclose material information. The spokesperson or deputy spokesperson is responsible for communications with external parties.	
(3) Does the Company publicly announce and file its annual financial report within two months after the end of financial year, and its financial reports of the first three quarters as well as operational status of each month prior to the prescribed deadlines?	V		(3) The Company has publicly announced and filed its annual financial report within two months after the end of financial year, and its financial reports of the first three quarters as well as operational status of each month prior to the prescribed deadlines. Information is available on the corporate website at https://www.taiflex.com.tw and MOPS website at http://mops.twse.com.tw .	
8. Does the Company have other important information to facilitate better understanding of the Company's corporate governance practices (including but not limited to rights and welfare of employees, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies	V		(1) Employees' rights and welfare: An Employee Welfare Committee is formed by employees of the Company to undertake various welfare projects and activities. Please refer to "5. Employment Relations" (Page 114 to 119) for details. (2) Investor relations: The Company values investors' rights. Relevant information is disclosed timely on the MOPS website pursuant to laws and regulations and on the Company's official website simultaneously. (3) Supplier relations: The Company maintains good relationship with	None

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
and risk evaluation measures, the implementation of customer policies, and liability insurance for directors and supervisors provided by the Company) ?			<p>suppliers. There has been no complaint regarding the quality and delivery schedule of purchases and there is no shortage or interruption of supplies.</p> <p>(4) Stakeholder' rights: The Company's official website has set up a stakeholder section, which is served as a communication channel to protect the legal rights of both parties.</p> <p>(5) Continuing education of Directors and Supervisors: Please refer to the table of "Continuing Education of Directors in 2021" (page 45 to 46) for details.</p> <p>(6) The implementation of risk management policies and risk evaluation standards: Please refer to "Risks" (page 135 to 139) for details.</p> <p>(7) The implementation of customer policies: The Company follows ethical guidelines and maintains good relationship with customers. Quality policies include innovation research and development, continuous improvement, quick responses, customer satisfaction, environmental protection and green environment. The Company provides on-time delivery and there are technical personnel involved in after-sale services.</p> <p>(8) Liability insurance for Directors and Supervisors: The Company purchases liability insurance for Directors in May each year.</p> <p>(9) The Company has adopted electronic voting in Shareholders' Meetings since 2016, ahead of the schedule announced by Financial Supervisory Commission.</p>	
<p>9. The improvement status for the outcome of Corporate Governance Evaluation announced by Taiwan Stock Exchange Corporate Governance Center and the priority of pending issues. (Companies not included in the Evaluation are exempted.)</p> <p>(1) The Company ranked in the top 21% to 35% in the 7th Corporate Governance Evaluation of Taiwan Stock Exchange Corporate, which was a recognition to the Company's outstanding performance in various management aspects, including corporate governance, corporate social responsibility, protection of shareholders' rights, information transparency and timely disclosure of information.</p> <p>(2) Improvements completed in 2021 for the 7th Corporate Governance Evaluation: Information including the succession plan of Board members and key executives, the prohibition on insiders such as Directors or employees using information not available to the market for personal gains, the disclosures on operations of the Audit Committee and Compensation Committee, and the performance in communications with stakeholders was disclosed at the corporate website.</p> <p>(3) Pending issues with high priority</p> <p>A. To strengthen the structure and operation of the Board</p>				

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
(a) To establish functional committees other than the ones required by laws. (b) To formulate risk management policies and procedures, and disclose the scope, organizational structure and operation of risk management. (c) To obtain certifications for intellectual property management system. B. To fulfill corporate social responsibilities (a) To disclose the supplier management policy, where suppliers are required to comply with standards of environmental protection, occupational safety and health, and labor rights, and the implementation status in the sustainability report. (4) The Company performed self-assessment pursuant to the 8 th Corporate Governance Evaluation in January 2022. The outcome will be reviewed to determine the improvement plans.				

10. The Company's Directors have duly attended courses organized by professional institutions. Continuing education of Directors in 2021 is as follows:

Title and Name	Date	Host	Class	Duration	Total Hours
Representative of corporate director: Ta-Wen Sun	2021.09.01	Financial Supervisory Commission	Afternoon session of the 13th Taipei Corporate Governance Forum	3	6.0
	2021.02.23	Taiwan Corporate Governance Association	Protection of Trade Secrets and Non-Compete Clause	3	
Director Ching-Yi Chang	2021.11.30	Taiwan Securities Association	2022 Economic Development Trends and Prospects	3	12.0
	2021.09.23	Taiwan Corporate Governance Association	Legal Matters for Companies under the Supervision of the Board	3	
	2021.09.16	Securities & Futures Institute	Value of Information Security in the Post-pandemic Era and under US-China Trade War	3	
	2021.08.09	Taiwan Securities Association	Global Economic Trends and Investment Strategies in the Post-pandemic Era	3	
Director Chein-Ming Hsu	2021.05.07	Independent Director Association Taiwan	True Meaning of Financial Reports from Chairperson's Perspective	3	6.0
	2021.04.14	Independent Director Association Taiwan	The Board's View on M&A Strategies and Recipes for Enterprise Transformation	3	
Director Chun-Chi Lin	2021.08.13	Taiwan Corporate Governance Association	Red Flags for Financial Statement Frauds	3	6.0
	2021.08.10	Taiwan Corporate Governance Association	Handling of Information Security Incident in the New Normal after COVID-19	3	
Representative of corporate director Re-Zhang Lin	2021.09.01	Financial Supervisory Commission	Morning session of the 13th Taipei Corporate Governance Forum	3	6.0
	2021.06.21	Accounting Research and Development Foundation	Case Study on Financial Statement Frauds and How to Pinpoint Crucial Information in Financial Statement	3	

Title and Name	Date	Host	Class	Duration	Total Hours
Director Fu-Le Lin	2021.08.13	Taiwan Corporate Governance Association	Red Flags for Financial Statement Frauds	3	6.0
	2021.08.06	Taiwan Corporate Governance Association	Distance between Us and Insider Trading	3	
Independent Director Wen-I Lo	2021.09.01	Financial Supervisory Commission	Morning session of the 13th Taipei Corporate Governance Forum	3	9.0
	2021.09.01	Financial Supervisory Commission	Afternoon session of the 13th Taipei Corporate Governance Forum	3	
	2021.08.10	Taiwan Corporate Governance Association	Handling of Information Security Incident in the New Normal after COVID-19	3	
Independent Director Shi-Chern Yen	2021.12.14	Taiwan Academy of Banking and Finance	Corporate Governance Lecture	3	12
	2021.11.04	Taiwan Corporate Governance Association	Macro Perspective on Sustainable Developments of Enterprises Worldwide – from Vision 2050 to Action 2021	3	
	2021.09.01	Financial Supervisory Commission	Afternoon session of the 13th Taipei Corporate Governance Forum	3	
	2021.05.06	Taiwan Corporate Governance Association	How Enterprises Can Innovate to Boost Profitability under Digital Economy	3	
Independent Director Yung-Shun Chuang	2021.12.15	Association of Taiwan Listed Companies	Seize New Opportunities in Global Developments (Advance for Obstacles to Fall Behind)	1.5	14.5
	2021.08.31	Taipei Exchange	2021 Online Forum for TPEX Sustainability Upgrades	2	
	2021.05.05	Taiwan Corporate Governance Association	Discussions on Legal Issues of Instant Messaging	3	
	2021.05.04	Taiwan Corporate Governance Association	Innovations, Digital Technology and Competitive Advantages	3	
	2021.04.26	National Innovation and Entrepreneurship Association, R.O.C.	Digital Transformation Strategies and New Thinking on Risk Management for Enterprises in the Digital Age	3	
	2021.03.15	Association of Taiwan Listed Companies	50 Year Forward and Backward in Taiwan: Talent Cultivation and Disaster Prevention	2	

(4) The composition, duties and operations of the Compensation Committee:

- A. The Board has appointed Independent Directors, Yung-Shun Chuang, Wen-I Lo and Shi-Chern Yen, to form the third-term Compensation Committee.

Members of Compensation Committee

As of March 28, 2022

Title (Note 1)	Name Condition	Professional Qualifications	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving in the Compensation Committee
Independent Director (Convener) (Note 1)	Yung-Shun Chuang	Note 3	Note 3	1
Independent Director	Wen-I Lo	Note 3	Note 3	1
Independent Director	Shi-Chern Yen	Note 3	Note 3	3
Independent Director (Note 2)	Duen-Jen Cheng	Note 3	Note 3	0

Note 1: Elected in the by-election at Shareholders' Meeting on July 16, 2021 and appointed by the Board on July 29, 2021.

Note 2: Mr. Duen-Jen Cheng resigned from his positions as the Compensation Committee Convener and Independent Director due to personal reason on March 17, 2021.

Note 3: Members of the Compensation Committee are Independent Directors of the Company. Please refer to page 20 to 22 for details on their professional qualifications, experience and independent status.

Note 4: Compensation Committee shall exercise due care of a good administrator and duly carry out the following responsibilities:

1. Regularly review the Charter and propose recommendations.
2. Formulate and regularly review the annual and long-term performance targets, and the compensation policies, systems, standards and structures of Directors and managers.
3. Regularly assess Directors' and managers' achievement rates concerning the performance targets and set out details and amount of individual's compensation. Recommendations made shall be submitted to the Board for discussion.

B. Compensation Committee:

- (a) The Company's Compensation Committee comprises three members.
- (b) Term of current Committee members: May 28, 2020 to May 27, 2023. The Compensation Committee held four (A) meetings in 2021. The attendance status is as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A) (Note)	Remark
Independent Director (Convener)	Duen-Jen Cheng (Note)	1	0	100%	Resigned from the position as an Independent Director due to personal reason on March 17, 2021
Independent Director (Convener)	Yung-Shun Chuang (Note)	2	0	100%	Appointed by the Board on July 29, 2021 (Newly elected in the by-election at Shareholders' Meeting on July 16, 2021)
Independent Director	Wen-I Lo	4	0	100%	-
Independent Director	Shi-Chern Yen	4	0	100%	-

Annotation:

- If the Board of Directors declined to adopt or modify a recommendation of the Compensation Committee, the date and session of the Board meeting, contents of motions, resolution and actions taken by the Company regarding the Committee's opinions shall be specified (if the compensation package approved by the Board is better than the recommendation made by the Committee, please specify the discrepancy and its reason): None.
- As to the resolutions of the Compensation Committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date and session of the committee meeting, contents of motions, all members' opinions and actions taken regarding the opinions shall be specified: None.
- The date and session of the Compensation Committee meetings in 2021, contents of motions, the resolutions and actions taken by the Company regarding the Committee's opinions are as follows:

Date of Compensation Committee Meeting	Session	Contents of Motions	Resolutions	Actions Taken
2021.01.22	4th meeting of the 4th term	1. To review the distribution of 2020 compensation to employees and remuneration to Directors	Approved	N/A
		2. To review the distribution of 2020 annual net income bonus to managers	Approved	N/A
2021.06.29	5th meeting of the 4th term	1. To review the distribution of 2020 remuneration to Directors and compensation to managerial employees	Approved	N/A
		2. To review managerial personnel changes, and details and amount of compensation to managers	Approved	N/A
2021.07.29	6th meeting of the 4th term	1. To elect the convener of the 4th-term Compensation Committee in a by-election	Approved	N/A
2021.10.27	7th meeting of the 4th term	1. To review managerial personnel changes, and details and amount of compensation to managers	Approved	N/A

(5) Implementation of Sustainable Developments and Non-compliance with “Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies” and Reasons

Promotion Items	Status		Non-compliance and Reasons
	Yes	No	
1. Does the Company establish a governance structure for promoting sustainable developments and set up an exclusively (or concurrently) dedicated sustainability unit with senior management being authorized by the Board to handle relevant issues under the supervision of the Board?	V		<p>1. Our ESG mission is to “practice ESG sustainability and advance with enthusiasm” and our visions are to “enhance green product innovation, forge a low-carbon value chain, comply with the highest corporate governance standards and create maximum value for stakeholders”. The “Corporate Social Responsibility Committee” was established in 2011 with the Human Resources Management Division being the dedicated unit in charge and representatives from every department being the committee members. The Chairperson and President would jointly supervise operation of the committee. Also, to safeguard shareholders’ rights and interests and strengthen the Board’s functions, Mr. Chi-Yuan Pan, the head of Finance and Accounting Division, is appointed to be the Corporate Governance Officer.</p> <p>A supplier relations unit was added to the committee in 2020 and the safety and environment unit is renamed the environment, safety and health unit. At present, the committee has the following units: green innovation, green product, supplier relations, governance, social care and friendly workplace, and environment, safety and health. It constantly focuses on and promotes sustainability issues from all aspects.</p> <p>The committee reports its progress and results to the Board annually. Its members often link sustainability issues with the execution and planning of corporate policies for actions to evolve around sustainability.</p> <p>To strengthen our management of environmental issues, the Company set up a level-one unit – “Sustainable Development Center” in the organizational structure in 2022. Its function is to formulate ESG strategies and guidance, prepare ESG-related budgets for each unit, coordinate resource allocation, organize and execute annual plans as well as track the implementation results to ensure the ESG strategies are fully incorporated in the daily operation of Taiflex.</p>

Promotion Items	Status			Non-compliance and Reasons						
	Yes	No	Description							
2. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		<p>The Board sets the following targets on the issue of sustainability:</p> <p>(1) Taiflex has scheduled to install more solar systems for another 3,500 kilowatts in 2022, with the target of having 15% of the Group's electricity generated from renewable energy by 2030.</p> <p>(2) Taiflex has commenced adopting circular economy measures such as energy saving, emission reduction and zero waste since 2015, moving towards the target of zero waste by 2030.</p> <p>2. Information disclosed covers the sustainability performance of our major sites between January to December 2021. The scope of risk assessment focuses on the Company, including our operations in Taiwan and mainland China.</p> <p>To fulfill our commitments to stakeholders as well as respect and maintain their interests, the ESG team would hold meetings with representatives from internal departments to discuss the scope of aforementioned issues with reference to scope and boundary identification of aspects under GRI 4.0. Topics of concerns raised through general communication channels are incorporated in the determination of impact level on the Company's operation. Finally, material aspects are concluded based on issues of high concern and high impact as material issues to be communicated first.</p> <p>Risk management policies or strategies based on assessed risks are as follows:</p> <table border="1"> <thead> <tr> <th>Material Issues</th> <th>Risk Evaluation Items</th> <th>Risk Management Policies or Strategies</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>Develop Sustainable Environment</td> <td> <p>1. The Company has obtained ISO14001 Environmental Management Systems certification and ISO45001:2018 Occupational Health and Safety Management Systems certification (including the factories in China), and continues to enhance workplace safety for employees.</p> <p>2. The Company is devoted to various energy-saving projects to diminish the impact on costs, and at the same time, committed to the recycling and renewal of waste resources to improve competitiveness and work towards the management goals of minimum energy consumption as well as cost optimization. Environmental protection work has been actively</p> </td> </tr> </tbody> </table>	Material Issues	Risk Evaluation Items	Risk Management Policies or Strategies	Environment	Develop Sustainable Environment	<p>1. The Company has obtained ISO14001 Environmental Management Systems certification and ISO45001:2018 Occupational Health and Safety Management Systems certification (including the factories in China), and continues to enhance workplace safety for employees.</p> <p>2. The Company is devoted to various energy-saving projects to diminish the impact on costs, and at the same time, committed to the recycling and renewal of waste resources to improve competitiveness and work towards the management goals of minimum energy consumption as well as cost optimization. Environmental protection work has been actively</p>	None
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Promotion Items	Status			Description	Non-compliance and Reasons
	Yes	No			
				<p>promoted by the government in recent years and total quantity control measure is adopted to impose stricter requirements. To fulfill our social responsibilities and for sustainable developments, we employ the latest ISO14001:2015 Environmental Management Systems: Plan → Do → Check → Action for continuing improvements. Furthermore, we consider the life cycle of raw material - extraction, manufacturing, distribution and waste in the discussion of internal and external issues, and uphold our environment, safety and health policies of regulatory compliance, green innovations, waste reduction & recycling, full participation, workplace safety, risk control, energy conservation & carbon reduction, and continuing improvements to reduce the risk of occupational disasters and impact on the environment.</p>	
			Society	<p>Employee Care</p> <p>Pursuant to “Procedures for Safety, Health and Environment Protection Training” in Taiflex’s occupational safety and health management system, employees are taught of dangerous machinery and equipment and “Regulations for Occupation Safety and Health Education and Training”. With regards to employees’ health and safety, the Company provides continuing care and management. There are above-standard health check-ups, annual special health examinations, semi-annual environment monitoring, etc. Outcome of these examinations are analyzed in order to organize relevant health promotion activities. Guidance and health education services are provided to employees with unfavorable outcomes. There are also health-related seminars available to employees. We carry out safety and health promotion and monitor the effectiveness.</p>	
				<p>Customer Care</p> <p>1. In response to market globalization and to ensure the quality, safety and reliability of products, Taiflex proactively obtains various international safety certifications including Underwriter Laboratories Inc. (UL) and TUV Rheinland (TUV), a German safety certification institution which provides certification services for product safety, quality and management system.</p>	

Promotion Items	Status			Non-compliance and Reasons	
	Yes	No	Description		
				2. Customer satisfaction is our management philosophy. We are committed to deliver innovative products and services to customers and uphold the core value of responsibility and enthusiasm. Taiflex has dedicated department providing services to customers and working closely with the quality assurance department to solve product issues ranging from appearance to functionality. To cope with production globalization of downstream customers, we have service personnel stationed at Kunshan, Shenzhen, Zhuhai, Xiamen, and Nantong besides Taiwan to enhance the accessibility and timeliness of our customer services.	
			Corporate Governance	Regulatory Compliance	1. Establish a corporate governance unit, comply with securities laws and regulations and disclose information according to relevant rules to make sure shareholders are fully aware of and can participate in and make decisions over important matters of the Company. Protect shareholders' rights and interests and treat all shareholders equally.
				Strengthen Director Functions and Fulfill Responsibilities	1. Arrange continuing education for Directors so that they are aware of the latest laws, regulation developments and legal responsibilities. 2. Provide liability insurances for Directors pursuant to the Articles of Incorporation to protect them from litigations or claims resulting from exercising their duties.
				Communication with Stakeholders	1. Taiflex values communication with stakeholders. For stakeholder communication and feedback, please refer to the corporate website at https://www.taiflex.com.tw/esg_overview.html#esg_popWrap for more details.

Promotion Items	Status			Non-compliance and Reasons
	Yes	No	Description	
<p>3. Environmental issues</p> <p>(1) Does the Company establish environmental management system designed to fit industry characteristics?</p>	V		<p>3.</p> <p>(1) All factories and subsidiaries of the Company have established their environmental management systems pursuant to the guidelines of ISO 14001:2015 and continued to pass the third-party verifications. Greenhouse gas (GHG) inventory is carried out annually in accordance with the ISO 14064-1 and the effects of emission reduction are tracked and disclosed at the sustainability report and the corporate website (https://www.taiflex.com.tw).</p> <p>The Company obtained ISO 14001 Environmental Management Systems certification in October, 2004; IECQ-QC080000 HSPM certification in January, 2007; and certifications of CNS15506 Taiwan Occupational Safety and Health Management System and OHSAS18001 Occupational Health and Safety Management Systems in October, 2008. Also, Taiflex obtained ISO 14064-1 Greenhouse Gas Inventory certification through the third-party certification body – BSI in 2017; ISO 14001:2015 Environmental Management Systems certification in September, 2019; certifications of ISO 45001:2018 Occupational Health and Safety Management Systems and CNS45001:2018 Chinese National Standard Occupational Health and Safety Management Systems in October 2019; as well as ISO 50001 Energy Management certification in December 2021. We utilize management systems and improve continuously to enhance the management competency of the Company and meet ESG sustainability standards. We schedule to carry out inventory and third-party verification pursuant to the ISO 14064-1:2018 GHG inventory standards and derive a carbon emission roadmap to fulfill our corporate social responsibilities in 2022.</p>	None
<p>(2) Is the Company committed to improving the energy efficiency and utilizing renewable materials that have low environmental impact?</p>	V		<p>(2) Taiflex is in the electronic component industry, specializing in high-end materials such as Flexible Copper Clad Laminate (FCCL) and polymer film. During our manufacturing process, electric power and natural gas are the major sources of energy consumed. Facing the inevitable increases in energy and environmental protection costs, we are devoted to various energy-saving projects and GHG reduction measures to diminish the impact on costs. At the same time, we remain committed to the recycling and renewal of waste resources to</p>	None

Promotion Items	Status		Description	Non-compliance and Reasons
	Yes	No		
			<p>improve competitiveness and work towards the goals of minimum energy consumption and cost optimization. We also focus on energy conservation and efficiency enhancement.</p> <p>Our savings in electricity, natural gases and renewable materials are as follows:</p> <p>A. Electricity: According to the Energy Administration Act promulgated by the Ministry of Economic Affairs, the Company shall have an average power-saving rate of 1% between 2015 to 2024. In 2021, we completed 15 energy-saving items and saved a total of 438.8 MWh, achieving a power-saving rate of 1.09% which conformed to provisions in the Energy Administration Act. Furthermore, in response to the government's promotion of renewable energy, solar systems have been installed on the roofs of Taiflex 3 and Taiflex 5 and carbon emissions were down by 442 tons</p> <p>B. Natural gases: Volatile organic compounds (VOCs) are generated during the manufacturing of FCCL. To mitigate their adverse impact on the environment, Taiflex 2 has adopted an enclosed processing system which is certified by the environmental protection agency to have achieved a collection efficiency of 100% for air pollutant emissions. Furthermore, as an enormous amount of natural gas is required to process the waste gases, Taiflex uses the zeolite rotor concentrators equipped with Toyobo technology from Japan to save energy consumption. Waste gases collected in the enclosed system are condensed to become auxiliary fuel, which significantly reduces our natural gas consumption. By constantly enhancing operation and management, we improve the processing efficiency for equipment to be at stable or optimal condition. Besides reductions of VOCs emissions and savings on natural gas and raw materials, we can avoid wasting resources and cut down secondary pollutants.</p> <p>Reductions in natural gas consumption of RRTO over the years after the introduction of rotors are as follows:</p>	

Promotion Items	Status		Description	Non-compliance and Reasons																																										
	Yes	No																																												
			<table border="1"> <thead> <tr> <th rowspan="2">Year</th> <th rowspan="2">Natural Gas Consumption</th> <th colspan="2">In km³/y</th> </tr> <tr> <th colspan="2">Compared to Base Year - Decrease</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>180,000</td> <td colspan="2">-</td> </tr> <tr> <td>2019</td> <td>158,920</td> <td colspan="2">21,080</td> </tr> <tr> <td>2020</td> <td>102,930</td> <td colspan="2">77,070</td> </tr> <tr> <td>2021</td> <td>124,290</td> <td colspan="2">55,710</td> </tr> </tbody> </table> <p>C. Renewable materials: Our raw materials comply with EU's RoHS, REACH and the halogen-free standards. We have established the Environmental Sustainability Center in 2021 to build a circular system across platforms for resource integration, including material recycling, manufacturing with renewable energy and pollution mitigation during production, to lower the impact on the environment. To enhance the utilization efficiency of resources, promote the concept of recycling and reduce the adverse impacts on the environment, the Company takes the following actions:</p> <p>(a) Waste solvent recycling rate: 206,957 Kg was processed which generated 135,164 Kg in 2021. Recycling saves energy, diminishes adverse impacts on the environment and avoids wastage.</p> <p>(b) The Company adopts the concept of 3R (Reduce, Reuse and Recycle) in recycling. Total volume processed was 788,941 Kg. This mitigates the impact of incineration on the environment.</p> <p>(c) Targets of quantitative management</p> <table border="1"> <thead> <tr> <th>Item</th> <th>2019</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Waste (MT)</td> <td>1,382.5</td> <td>1,543.5</td> <td>1,691.1</td> </tr> <tr> <td>Recyclable (MT)</td> <td>330.1</td> <td>425.1</td> <td>788.4</td> </tr> <tr> <td>Reuse rate (%)</td> <td>23.9%</td> <td>27.5%</td> <td>46.6%</td> </tr> <tr> <td>Target</td> <td>20%</td> <td>30%</td> <td>40%</td> </tr> </tbody> </table>	Year	Natural Gas Consumption	In km ³ /y		Compared to Base Year - Decrease		2018	180,000	-		2019	158,920	21,080		2020	102,930	77,070		2021	124,290	55,710		Item	2019	2020	2021	Waste (MT)	1,382.5	1,543.5	1,691.1	Recyclable (MT)	330.1	425.1	788.4	Reuse rate (%)	23.9%	27.5%	46.6%	Target	20%	30%	40%	
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(3) Does the Company assess the present and future potential risks and opportunities of climate change for the entity, and takes measures to respond to climate-related issues?	V		<p>The Company aggressively promotes various energy reduction measures. In terms of green manufacturing, we cut down unnecessary wastes of resources and develop technology for waste reduction and reuse. For value chain, we work on recycling of packaging materials. Regarding products, we focus on testing the use of renewable materials which have low environmental impact to maximize the efficiency of circular economy. Through raw material recycling, research and development on waste reduction technology and the design and selling of circular products, we generate circular value. In 2021, the reduction volume was 788,941 KG with a reuse rate exceeding 40%.</p> <p>(3) According to the latest report from the Intergovernmental Panel on Climate Change (IPCC) in 2021, it is still possible to limit global warming to 1.5°C based on the premise that unprecedented actions are taken right now. The GHG emissions worldwide must be halved before 2030 and approach "net zero" by 2050. Taiflex conducts assessments on climate change-related issues and formulates strategies, targets and implementation measures as follows:</p>	None												
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(4) Does the Company calculate its GHG emissions, water consumption and total waste weight in the past two years, and formulate policies for energy conservation, reductions of carbon, GHG and water consumption, or other waste management?	V		<p>(4) Details of the Company's GHG emissions, water consumption and total waste weight in the past two years and relevant policies are as follows:</p> <p>A. GHG Emissions: The Company was re-verified and passed the ISO14064 Greenhouse Gas Accounting and Verification in August, 2017. Strategies to reduce GHG and carbon footprints were established based on the GHG inventory outcome to mitigate the adverse environmental impact.</p> <p>The production volume of Taiflex was 36,018 thousand m², 34,564 thousand m², 39,105 thousand m² and 35,892 thousand m² between 2018 and 2021, respectively. The GHG emissions during operation are listed as follows:</p> <p style="text-align: right;">Unit: MT of CO₂e</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Scope 1</th> <th>Scope 2</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>5,650</td> <td>17,789</td> <td>23,439</td> </tr> <tr> <td>2019</td> <td>5,661</td> <td>17,238</td> <td>22,899</td> </tr> <tr> <td>2020</td> <td>5,383</td> <td>17,674</td> <td>23,057</td> </tr> <tr> <td>2021</td> <td>5,755</td> <td>18,405</td> <td>24,160</td> </tr> </tbody> </table> <p>Note: Scope 1: Direct GHG emissions, Scope 2: Indirect GHG emissions</p> <p>Short-term and long-term GHG emission targets of Taiflex:</p> <p>(a) Short-term: Cut scope 1 emission by 3% and scope 2 emission by 1% by 2025 compared to the base year.</p> <p>(b) Long-term: Cut scope 1 emission by 10% and scope 2 emission by 50% by 2050 compared to the base year</p> <p>(c) Green power (Green power refers to electricity which has zero or close to zero CO₂ emission during the production process).</p> <p>Electricity generated from solar energy was 952,161 KWh, 997,207 KWh and 869,779 KWh between 2019 and 2021, respectively. Carbon emissions had decreased by 1,434,946 Kg, Details are as follows:</p>	Year	Scope 1	Scope 2	Total	2018	5,650	17,789	23,439	2019	5,661	17,238	22,899	2020	5,383	17,674	23,057	2021	5,755	18,405	24,160	None
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			<div style="border: 1px solid black; padding: 5px;"> <p>Base year (2018): Annual natural gas consumption prior to the introduction of zeolite rotors-RRTO Natural gas m3 = 1.88 Kg CO2e</p> </div> <p>B. Water consumption: Water consumption was 107,233 m³ and 99,207m³ for 2020 and 2021, respectively. Water is mainly used as cooling water for air conditioning, followed by employee daily usage, firefighting and consumption by the etching laboratory. The Company uses tap water while in the factories, we have RO water recycled as cooling water for air conditioning.</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th>Factory</th> <th>2020</th> <th>2021</th> <th>Changes</th> </tr> </thead> <tbody> <tr> <td>Taiflex 1</td> <td>5,583 m³</td> <td>5,312 m³</td> <td>-271 m³</td> </tr> <tr> <td>Taiflex 2</td> <td>32,041 m³</td> <td>27,876 m³</td> <td>-4,165 m³</td> </tr> <tr> <td>Taiflex 3</td> <td>60,443 m³</td> <td>55,074 m³</td> <td>-5,369 m³</td> </tr> <tr> <td>Taiflex 5</td> <td>9,166 m³</td> <td>10,945 m³</td> <td>-1,779 m³</td> </tr> <tr> <td>Total</td> <td>107,233 m³</td> <td>99,207 m³</td> <td>-8,026 m³</td> </tr> </tbody> </table> <p>Note: In 2021, we increased the electrical conductivity setting of water discharged from the cooling towers and recycled the condensed water from the NMP purification system for the vacuum system to lower tap water consumption.</p> <p>C. Waste management: The management principles are to enhance the utilization efficiency of resources, promote the concept of recycling and reduce the adverse impacts on the environment. Waste generated from our production can be categorized into two types: general and hazardous industrial waste. It is handled by qualified waste disposal vendors in accordance with relevant laws and regulations. On-site inspections at hazardous waste treatment plants are carried out regularly every year to ensure proper disposal of waste. Recyclable waste is recycled and reused while hazardous industrial waste is subject to in-house process in an attempt to reduce the outsourcing of hazardous substance</p>	Factory	2020	2021	Changes	Taiflex 1	5,583 m ³	5,312 m ³	-271 m ³	Taiflex 2	32,041 m ³	27,876 m ³	-4,165 m ³	Taiflex 3	60,443 m ³	55,074 m ³	-5,369 m ³	Taiflex 5	9,166 m ³	10,945 m ³	-1,779 m ³	Total	107,233 m³	99,207 m³	-8,026 m³	
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4. Social issues (1) Does the Company formulate appropriate management policies and procedures according to related laws and regulations and the International Bill of Human Rights?	V		(1) The Company establishes management measures based on international human rights standards, e.g., the Code of Conduct of the Responsible Business Alliance, the Guiding Principles on Business and Human Rights of the United Nations and the Nine Core Human Rights Treaties of the United Nations, and announces such on the corporate website. We believe in having the right person for the right job and aggressively recruit FPC talents from all over the world, including the U.S., Japan, China and Thailand. We abide by principles of the International Bill of Human Rights and establish the “Management Rules for Employee Appointment” to protect and respect human rights. The rules prohibit any discrimination and differential treatment where recruitment, selection, promotion or appointment are concerned. We also ensure our foreign workers are entitled to the same benefits as domestic ones. Executive forums and employee satisfaction surveys are organized every year and we have in place “employee opinion box” and online “E-HR employee forum”. Our employee complaint hotline is managed by designated personnel and there are also hotlines for employee care, ethical management and reporting of workplace violence as well as unlawful or unethical conducts. Diverse communication and complaint channels are available to all employees. The Company also recruits disabled people and create appropriate job for them. As of the end of 2021, the number of disabled employees accounted for 1.14% of our total workforce, which exceeded the regulatory requirements of Taiwan.	None
(2) Does the Company formulate and execute reasonable employee welfare measures (including compensation, leaves and other benefits), and have the operating performance or results properly reflected in employee compensation?	V		(2) A. The Company has established the Compensation Committee to perform regular reviews on operational performance and the policy, system, standard and structure of compensation. A certain percentage of current year’s earnings, if any, would be appropriated as year-end bonus and employee compensation, and the latter shall not be lower than five percent of the earnings. In addition, the Company conducts market surveys on salaries and makes adjustments based on the market level, economic trends and personal performance in order to stay competitive in terms of	None

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			<p>compensation. “Salary Management Rules”, “Attendance Management Rules” and “Bonus Distribution Rules” of all sorts are formulated to have the operating performance properly reflected in employee compensation. In 2021, the overall increase in salaries exceeded 4.5% for both supervisory and non-supervisory positions in our operations in Taiwan, and the largest increase for individuals was above the market average.</p> <p>B. Employees are entitled to recess, holidays and regular leaves pursuant to the government’s labor regulations. For employees who need a longer period of time for parental care, major injuries or illness, accidents, etc., they may apply for unpaid leaves to attend to personal and family affairs.</p> <p>C. The Company has established the Employee Welfare Committee. Pursuant to the “Employee Welfare Fund Regulation”, a maximum of 0.15% would be appropriated from monthly operating revenue as funds for employee benefits. Welfare measures organized by the Company allow employees to enjoy a broad range of benefits including domestic travel allowance, subsidies to clubs, cash gifts for birthday, wedding and new babies, funeral subsidies, employee health check-up, discounts at authorized stores, educational allowance for dependent children, and free inspection/maintenance allowance for motorcycles. There are also a variety of employee activities such as the family day to promote body and mind balance.</p> <p>D. Diversity and equality Taiflex has realized equal pay for equal job and equal opportunities for advancement regardless of gender to facilitate sustainable and inclusive economic growth. In 2021, female employees accounted for 23% of the entire workforce while 10% of the supervisory positions were held by female employees.</p> <p>E. Taiflex strives to maintain a harmonious working atmosphere and a sound working environment for employees to work safely. Also, we recruit disabled employee for regulatory compliance and provide them with appropriate jobs and facilities. Due to our presence overseas, we have employees of different nationalities. We create a friendly workplace which respects diverse cultures.</p>	

Promotion Items	Status			Non-compliance and Reasons																
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(3) Does the Company provide a safe and healthy work environment and provide safety and health training regularly?	V		<p>(3)</p> <p><u>A. Occupational safety and health (OSH) policy and targets:</u> Employees are deemed as the most valuable assets by the Company; therefore, workplace safety and physical/mental health of employees are of utmost importance. With this promise of well-being to all employees, we persistently improve intrinsically safe designs and implement OSH control measures to prevent occupational accidents. Based on the aforementioned altruistic philosophy, we have established five major OSH policies and expect all employees and stakeholders to follow.</p> <table border="1"> <thead> <tr> <th>Policy</th> <th>2021 OSH Targets</th> <th>2021 Achievement Rate</th> <th>2022 OSH Targets</th> </tr> </thead> <tbody> <tr> <td>Regulatory compliance</td> <td>Safe workplace: 1. FSI: <0.11 2. FR of stakeholders in factories: 0%</td> <td>Safe workplace: 1. FSI: 0.05 2. FR of stakeholders in factories: 0%</td> <td>Safe workplace: 1. FSI: 0.10 2. FR of stakeholders in factories: 0%</td> </tr> <tr> <td>Full participation</td> <td>Healthy workplace: 1. Rate of occupational disease prevention: 0%</td> <td>Healthy workplace: 1. Rate of occupational disease prevention: 0%</td> <td>Healthy workplace: 1. Rate of occupational disease prevention: 0%</td> </tr> <tr> <td>Workplace safety</td> <td>2. Participation rate of health activities: >40%</td> <td>2. Participation rate of health activities: 35% (Due to COVID-19)</td> <td>2. Participation rate of health activities: >35%</td> </tr> </tbody> </table>	Policy	2021 OSH Targets	2021 Achievement Rate	2022 OSH Targets	Regulatory compliance	Safe workplace: 1. FSI: <0.11 2. FR of stakeholders in factories: 0%	Safe workplace: 1. FSI: 0.05 2. FR of stakeholders in factories: 0%	Safe workplace: 1. FSI: 0.10 2. FR of stakeholders in factories: 0%	Full participation	Healthy workplace: 1. Rate of occupational disease prevention: 0%	Healthy workplace: 1. Rate of occupational disease prevention: 0%	Healthy workplace: 1. Rate of occupational disease prevention: 0%	Workplace safety	2. Participation rate of health activities: >40%	2. Participation rate of health activities: 35% (Due to COVID-19)	2. Participation rate of health activities: >35%	None
Policy	2021 OSH Targets	2021 Achievement Rate	2022 OSH Targets																	
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Promotion Items	Status		Description	Non-compliance and Reasons												
	Yes	No														
			<p>Statistical data of disabling injuries for the past three years are as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Fatal Accidents</th> <th>Disability Accidents</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>Male:0 Female:0</td> <td>Male:2 Female:0</td> </tr> <tr> <td>2020</td> <td>Male:0 Female:0</td> <td>Male:3 Female:4</td> </tr> <tr> <td>2021</td> <td>Male:0 Female:0</td> <td>Male:1 Female:2</td> </tr> </tbody> </table> <p>Zero accident is our management target. We adopt the signal lighting mechanism to disclose the safety status of occupational accident every month. Green light represents zero accident in the month, encouraging employees to keep up the good work. The red light and yellow light represent occupational accidents and traffic accidents respectively, reminding all departments to strengthen the safety management of employees.</p> <p><u>B. Continue to strengthen safety management and reduce falls and commuting risk:</u> A comprehensive inventory of risks was carried out for places likely to cause fall (trip) within the factories. Through on-site improvement and behavior promotion, we continued to discuss enhancement measures such as safe access and slip-resistant flooring. A total of 45 fall-prone places were identified with a floor-leveling improvement rate of 95%. We would proceed to formulate short, medium and long-term improvement measures to effectively reduce the fall (trip) risk.</p> <p><u>C. Strengthen emergency drills and enhance employee safety awareness:</u> Taiflex strengthens the concept of emergency responses for compound disasters among employees on the premises. We enhance the efficiency of disaster notification system through drills, verify the feasibility and applicability of emergency measures at the time of disasters and utilize various disaster relief resources, manpower and equipment so that employees, with the correct response concepts and actions, can keep the damage of compound disasters to a minimum.</p>	Year	Fatal Accidents	Disability Accidents	2019	Male:0 Female:0	Male:2 Female:0	2020	Male:0 Female:0	Male:3 Female:4	2021	Male:0 Female:0	Male:1 Female:2	
Year	Fatal Accidents	Disability Accidents														
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Promotion Items	Status		Description	Non-compliance and Reasons												
	Yes	No														
			<p>We also draw up annual training plans every year to raise the safety awareness of employees. In 2021, 20 safety and health courses were organized on topics of health, safety, fire safety, etc. with a total of 1,753 attendees for 1,409 training hours.</p> <p><u>D. Construct an OSH management system – dedicated top-level safety and health unit:</u> Taiflex has established the Occupational Safety & Health Management Division at the Group level to coordinate and oversee the safety and health management of the Group. On-site safety and health tasks are carried out through cooperation between industrial safety personnel in subsidiaries at home and abroad, the Industrial Safety Section of the Manufacturing Center and the safety and health personnel of each unit. To meet the requirements and expectations of our internal and external stakeholders, besides continuous improvement on safety culture promotion and risk management measures, we also allocate more resources on optimizing occupational disease prevention and the Taiflex Employee Assistance Program (TEAP), striving to build a healthy workplace.</p> <p><u>E. Statistical data of OSH training and promotion for the past three years</u></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Number of Attendees</th> <th>Training Hours</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>1,339</td> <td>1,130.5</td> </tr> <tr> <td>2020</td> <td>2,822</td> <td>2,159.5</td> </tr> <tr> <td>2021</td> <td>1,753</td> <td>1,409.0</td> </tr> </tbody> </table> <p><u>F. Certifications:</u> Taiflex obtained the ISO/CNS45001 certification for OSH management systems ahead of peers, aligning with global OSH management through our latest OSH management system. We proactively lower risk for regulatory compliance, meet the expectations of all stakeholders, create an OSH niche, and provide a harmonious production environment.</p>	Year	Number of Attendees	Training Hours	2019	1,339	1,130.5	2020	2,822	2,159.5	2021	1,753	1,409.0	
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Promotion Items	Status			Non-compliance and Reasons
	Yes	No	Description	
(4) Has the Company established effective career development training programs for employees?	V		<p>(4) Taiflex accumulates human capital through a comprehensive talent development roadmap and has remained committed to employee training. We expect our employees to have competence, enthusiasm, innovation and courage to face challenges at work and continue to develop.</p> <p>Talent development roadmap:</p> <p>A. New employee orientation: New employee orientation and mentor</p> <p>B. Core competency: Communication and teamwork, presentation skills and work report, problem analysis and solution, work improvement skills, time management, quality control</p> <p>C. Management competency: Top-level manager - strategy camp for management team and Dale Carnegie Training; Mid-level manager - Management Training Program (MTP) and competency-based behavioral interview/recruiting skills; Entry-level manager - Training within Industry (TWI) for entry-level managers and seven basic tools of QC</p> <p>D. Professional competency: Six sigma project, lean production, quality control circle project, professional certification training, R&D management, project management, sales training course</p> <p>E. Self-development: Internal lecturer training, TOEIC class, foreign language course, study group, keynote speech</p> <p>Through diverse training and education channels, we improve the learning effectiveness of employees with on-job training, off-job training, e-learning and various subsidies, such as subsidies for TOEIC, language trainings and project-based trainings. The total number of career training hours in 2021 was 23,013 hours and the top three courses were related to language learning, internal training of department and quality system.</p> <p>The Company also have in place a comprehensive performance management mechanism. Through regular performance interviews, managers and employees can discuss and draw up individual development plans together, and regularly monitor the results and feedback to assist employees with continuous development.</p>	None

Promotion Items	Status			Non-compliance and Reasons
	Yes	No	Description	
(5) Has the Company complied with related regulations and international standards for issues of customer health and safety, customer privacy, marketing and labeling of products and services, and formulated relevant consumer or customer protection policies and complaint procedures?	V		<p>(5) Taiflex actively obtains various international safety certifications in response to market globalization to ensure the quality, safety and reliability of its products.</p> <p>Underwriter Laboratories Inc. (UL): UL is an U.S. non-profit organization which aims to ascertain the safety level of products at mass production stage by inspecting and classifying samples from raw materials, components, system, structure, process and conditions of usage and conducting follow-up tests. The ultimate goal is to ensure the safety of users' life and property. Certification logos are issued for identification purpose.</p> <p>Japan Electrical Safety & Environment Technology Laboratories (JET) JET is a laboratory designated by Japanese government to inspect factories manufacturing electrical products and test the outputs. It issues certification logos to electrical products which meet the safety standards stipulated by Japanese government. According to Japanese DENTORL, safety certifications are required for products to enter the Japan market.</p> <p>TUV Rheinland (TUV): German safety certification institution. It provides certification services for product safety, quality and management system.</p> <p>The Company places great importance on the stakeholders' rights and the service satisfaction level. Thus, we have a stakeholder section within the corporate website as a complaint channel for customers. At the same time, it allows us to receive stakeholder feedback and address their concerns with care.</p>	None
(6) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, OSH, or labor rights, and the implementation results?	V		<p>(6) Taiflex's "Guidelines for Supplier Management" sets out selection criteria of environmental protection, human rights protection, safety, health and sustainable development for suppliers as well as requirements and expectations in aspects of environment, safety and health risks, ban on child labor, labor management, zero breaches on the fundamental rights of workers, ethical standards and business ethics.</p> <p>Taiflex has set up the supplier counselling program. Through supplier selection, audit, counselling, performance evaluation, training and supplier forum, our sustainability requirements are carried out in the</p>	None

Promotion Items	Status		Description	Non-compliance and Reasons								
	Yes	No										
			<p>daily management of supply chain on the basis of cooperation. In 2021, our suppliers must fully comply with the following requirements:</p> <table border="1"> <tr> <td>Supplier assessment</td> <td> <p>Qualified suppliers shall pass the supplier assessment first and fully comply with the Supplier Code of Conduct</p> <p>Suppliers of raw materials used during our manufacturing process shall have their production factories passed the criteria under ISO 9001 Quality Management System</p> <p>Contractors of facilities and relevant operations shall obtain the ISO 45001 Occupational Health and Safety Management Systems certification</p> <p>By business types, suppliers shall obtain valid factory registration certificates issued by the government and ISO 14001 Environmental Management System certificate</p> </td> </tr> <tr> <td>Supplier audit</td> <td>Taiflex has set up an audit unit and a counselling team to monitor suppliers' progresses in improving their deficiencies, jointly enhance product quality and production technology, improve ESH performance and introduce automation equipment to lift production capacity.</td> </tr> <tr> <td>Supplier training</td> <td>Taiflex holds training and small forums from time to time to effectively improve ESH performance and comply with international standards through different forms of sharing and communication. The courses include occupational health, employee health, maintenance of fire safety equipment, carbon footprint investigation, climate change, regulatory risk and business ethics.</td> </tr> <tr> <td>Supplier forum and recognition</td> <td>Taiflex holds supply chain management forum annually. Besides communicating the Company's beliefs and goals concerning sustainability, we would recognize suppliers with outstanding performance and contributions in four aspects: quality improvement, cost reduction, on-time delivery and sustainability performance.</td> </tr> </table>	Supplier assessment	<p>Qualified suppliers shall pass the supplier assessment first and fully comply with the Supplier Code of Conduct</p> <p>Suppliers of raw materials used during our manufacturing process shall have their production factories passed the criteria under ISO 9001 Quality Management System</p> <p>Contractors of facilities and relevant operations shall obtain the ISO 45001 Occupational Health and Safety Management Systems certification</p> <p>By business types, suppliers shall obtain valid factory registration certificates issued by the government and ISO 14001 Environmental Management System certificate</p>	Supplier audit	Taiflex has set up an audit unit and a counselling team to monitor suppliers' progresses in improving their deficiencies, jointly enhance product quality and production technology, improve ESH performance and introduce automation equipment to lift production capacity.	Supplier training	Taiflex holds training and small forums from time to time to effectively improve ESH performance and comply with international standards through different forms of sharing and communication. The courses include occupational health, employee health, maintenance of fire safety equipment, carbon footprint investigation, climate change, regulatory risk and business ethics.	Supplier forum and recognition	Taiflex holds supply chain management forum annually. Besides communicating the Company's beliefs and goals concerning sustainability, we would recognize suppliers with outstanding performance and contributions in four aspects: quality improvement, cost reduction, on-time delivery and sustainability performance.	
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Promotion Items	Status			Non-compliance and Reasons
	Yes	No	Description	
5. Has the Company referred to the internationally accepted report preparation standards or guidelines for its preparation of sustainability report or other reports which disclose the Company's non-financial information? Do the aforementioned reports obtain a third-party assurance or verification statement?	V		5. The Company compiles the sustainability report pursuant to the GRI standards issued by the Global Reporting Initiative and discloses relevant indexes and ESG information with reference to SASB standards. Our corporate website, https://www.taiflex.com.tw , has an ESG section which discloses relevant and reliable corporate social information, including corporate social responsibility, friendly workplace, environmental sustainability, green innovation and the SDGs of UN. Later, we plan to have third-party verification body conducting external audits	None
6. If the Company has established its sustainable principles according to “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies”, please specify any discrepancy between the policies and their implementation: The Company has established “Code of Practice for Corporate Social Responsibility,” providing guidance on topics of environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights and safety and health, etc. Information can be downloaded from the corporate website. Please refer to Performance in Corporate Social Responsibility under III. Corporate Governance (page 49 to 71) of this Annual Report or the Company’s sustainable report for details.				
7. Other important information to facilitate better understanding of the Company’s sustainable practices (e.g., systems and measures that the company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, and other CSR activities, and the status of implementation): (1) System and measures taken for environmental protection and safety and health, and the implementation status: Taiflex applies ISO14001: Plan-Do-Check-Act (PDCA) cycle to improve its environmental protection management strategies. Resource is recycled based on the concept of 3R (Reduce, Reuse and Recycle) and the total processed volume is 788,941 Kg, i.e., a reuse rate >40%. Packaging materials are reused to reduce waste and cost. The Company aims at zero waste in terms of resource recycling through continuous improvement. Other than compliance with national environmental protection policies and regulations, the Company also spends an enormous amount of money on environmental protection improvement and green research. Optimal prevention equipment is adopted to achieve process efficiency of 98% and above. In addition, the Company employs the framework of CNS15506 Taiwan Occupational Safety and Health Management System and the risk assessment management strategies and regulation identification under OHSAS18001 Occupational Health and Safety Management System to comply with changes in regulatory requirement and reduce hazardous risks. The goal is to control risks and eliminate potential disaster. On top of persistently improving work environment for an enhanced comfort and safety level at work, Taiflex attaches great importance to employee health and continuously launches health promotion projects and health management measures to fulfill the Company’s responsibilities concerning social environment and safety. (2) Community participation, contribution to society, service to society, social and public interests: A. Taiflex establishes charity clubs, i.e., Taiflex Youth Care Association and Taiflex Volunteers, to organize fund-raising events. In addition, they provide voluntary services to the community and disadvantaged teenagers. The Company has also sponsored outstanding clubs at schools, such as the dancing club and orchestra of Siao Gang Senior High School. Children would have sufficient resources to develop their potentials and courage to realize their dreams, and could enjoy different perspectives and experience. Also, the Company participates in blood donation and charity events held by schools or welfare organizations in Kaohsiung as ways to enhance its community participation and contributions.				

Promotion Items	Status			Non-compliance and Reasons										
	Yes	No	Description											
Social activities took place in 2021 are summarized as follows:														
Jan. 2021			Sponsored the Goods Bank-Jiaxian branch with quilts											
Jan. 2021			Adopted spaces at Kaohsiung Municipal Shihjia High School, Kaohsiung RuiFeng Elementary School, and Kaohsiung Municipal Aicyun Primary School for greenification											
Apr. 2021			Invited students from the Syin-Lu Social Welfare Foundation, Puren Youth Care Foundation, Kaohsiung United Charity Association, and Siao Gang Senior High School to watch movies											
Apr. 2021			Co-organized the Kaohsiung Run for Fun event											
Aug. 2021			Participated in Kaohsiung United Charity Association's scholarship and future development programs											
Sep. 2021			Sponsored Puren Youth Care Foundation's scholarship programs											
Sep. 2021			Co-organized blood donation activities with Kaohsiung Export Processing Zone Administration											
Sep. 2021			Participated in the Love Plus One event organized by the Sheltered Workshop											
Oct. 2021			Received a certificate of Social Affairs Bureau, Kaohsiung City Government for supporting Mid-Autumn Festival Gifts from disability organizations											
Oct. 2021			Received a certificate of the Kaohsiung City Government for Mid-Autumn Festival Gifts from Sheltered Workshop to Help Disabled Friends											
Nov. 2021			Sponsored Siao Gang Senior High School's karate team and Saint Joseph Social Welfare Foundation											
Dec. 2021			Sponsored Siao Gang Senior High School's basketball team and Saint Joseph Social Welfare Foundation											
Dec. 2021			Participated in the One Day Volunteer organized by the Kaohsiung United Charity Association and raised money to help families with financial hardship											
Dec. 2021			Hosted the Kaohsiung study tours of Puren Youth Care Foundation											
B. Performance of aforementioned charitable activities is summarized as follows:														
		<table border="1"> <thead> <tr> <th>Item</th> <th>Performance</th> </tr> </thead> <tbody> <tr> <td>Total number of participants</td> <td>450 participants</td> </tr> <tr> <td>Number of beneficiaries</td> <td>About 3,500 people</td> </tr> <tr> <td>Number of participants in industry-academia collaboration</td> <td>2 people</td> </tr> <tr> <td>Amount sponsored</td> <td>NT\$1,759 thousand</td> </tr> </tbody> </table>			Item	Performance	Total number of participants	450 participants	Number of beneficiaries	About 3,500 people	Number of participants in industry-academia collaboration	2 people	Amount sponsored	NT\$1,759 thousand
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Number of beneficiaries	About 3,500 people													
Number of participants in industry-academia collaboration	2 people													
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(3) Consumer rights and interests: The Company complies with contractual terms and fulfills its obligations to protect the rights of the Company and consumers.														
(4) Human rights: The Company provides equal employment opportunities to all individuals, regardless of gender, religion, political inclination, race, age, sexual orientation, nationality and place of residence. It also establishes a safe environment to protect employees from discrimination and harassment.														
(5) Safety and Health: The Company complies with the Occupational Safety and Health Act and establishes safety and health management organizations and dedicated units accordingly to draft, plan, promote and monitor the implementation of various safety and health measures.														

(6) Performance in Ethical Management and Non-compliance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies” and Reasons

Assessment Items	Status			Non-compliance and Reasons
	Yes	No	Description	
<p>1. Establishment of ethical management policies and schemes</p> <p>(1) Does the Company formulate ethical management policies approved by the Board of Directors and clearly express ethical management policies and actions as well as the Board and senior management’s commitment to implement those policies in the Company’s internal rules and external documents?</p> <p>(2) Does the Company establish assessment mechanism for risk arising from unethical conducts, regularly analyze and assess operating activities with higher risk of unethical conduct within its business, and formulate preventive schemes accordingly, which at least contain preventive measures for conducts set forth in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(3) Does the Company have clear statements regarding relevant procedures, conduct guidelines, disciplinary measures and</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company has established and publicly announced to all personnel the “Principles of Business Ethics”. Unless otherwise stipulated in laws and regulations, the Board meetings shall be conducted in accordance with the Company’s “Rules of Procedure for the Board of Directors’ Meetings”. The designated division responsible for the Board meetings shall have relevant information ready for Directors to study at all times and notify relevant departments’ managers, other than ones serving as Directors, to attend the Board meetings depending on the subject matters of the agenda. The CPAs or other professionals may also be invited to present at the meeting if necessary.</p> <p>(2) The Company has established measures to prevent operating activities involving higher risk of unethical conduct, which include:</p> <ul style="list-style-type: none"> A. Offering and acceptance of bribes B. Provision of illegal political contribution C. Improper charitable donations or sponsorship D. Offering or acceptance of unreasonable gifts, hospitality or other improper benefits E. Infringement of trade secrets, trademarks, patents, copyrights and other intellectual property rights F. Unfair competition G. Maliciously and gravely jeopardize the rights, health and safety of consumers or other stakeholders during the process of research and development, purchase, manufacture, rendering or sale of products and services <p>(3) The Company has established “Procedures and Guidelines of Business Ethics” to encourage internal and external parties to report unethical behaviors or misconducts. Based on the degree</p>	None

Assessment Items	Status			Non-compliance and Reasons
	Yes	No	Description	
compliant system in the schemes to prevent unethical conduct, and does the Company implement them accordingly and regularly review those schemes?			of misconduct, whistleblowers could receive a citation of merit pursuant to the Company's reward and discipline policy. Internal personnel making false accusation or malicious claims will be disciplined. Serious offense can lead to termination of employment. The Company has organized internal, independent whistleblowing mailbox and hotline for internal and external personnel of the Company.	
<p>2. Implementation of ethical management</p> <p>(1) Does the Company review the counterparty's history of ethical conduct and include the compliance of business ethics as a clause in the contract?</p> <p>(2) Has the Company established a dedicated department under the Board to promote ethical conducts and report regularly (at least once every year) its ethics policies and preventive schemes for unethical conducts as well as implementation status to the Board of Directors?</p> <p>(3) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels and thoroughly implement the policies?</p>	V		<p>(1) Personnel of the Company shall avoid engaging in business with unethical agents, suppliers, customers or other business counterparties. Once we are aware of the counterparty's misconduct, we will terminate all business dealings and blacklist the counterparty for future dealings to meet our requirement for business ethics.</p> <p>(2) The Company appoints a dedicated division to formulate and monitor the execution of ethics policies and preventive schemes for unethical conducts, as well as report to the Board of Directors. There was no major unethical conduct in 2021.</p> <p>(3) Before signing contracts, the Company and its subsidiaries shall fully understand the degree of business ethics of the counterparty and include the compliance of business ethics as a clause in the contract. Once a party becomes aware of any violation of contractual terms on prohibition of commission, rebates or other benefits, it shall promptly inform the other party of the violator's identity, method of provision, promise, request, or acceptance of improper benefits, amount or other benefits and provide relevant evident to assist with investigation. The Company and its subsidiaries are entitled to make a claim to the other party for any detriment suffered as a result. The claims can be deducted from our payables if this clause was explicitly stated in the contract.</p>	None

Assessment Items	Status			Non-compliance and Reasons
	Yes	No	Description	
<p>(4) Has the Company established effective accounting and internal control systems for the implementation of ethics policies and had the internal audit unit formulating relevant audit plans based on the assessment outcome of risk associated with unethical conducts? Has the Company then performed audits on the compliance with the preventive schemes for unethical conducts accordingly, or entrust the CPAs to conduct the audits?</p> <p>(5) Has the Company regularly held internal and external training sessions on business ethics?</p>	V		<p>Moreover, in order to thoroughly implement the rules regarding conflict of interest and prevent damage to the Company, the Auditing Office will soon establish a whistleblowing system as a proper complaint channel to avoid any conflict of interest.</p> <p>(4) The Company has established effective accounting and internal control systems as well as the Internal Auditing Office reporting directly to the Board. Each year, the Internal Auditing Office carries out audits according to the Annual Audit Plan, monitors corrective actions for deficiencies and regularly submits audit reports to the Audit Committee and the Board for management to understand the implementation status of internal control system in order to achieve the effectiveness of the design and execution of the systems.</p> <p>(5) The Company conveys the importance of business ethics at orientation programs, regular meetings and corporate ethics sessions. Ethics is one of the indicators in performance review.</p>	
<p>3. Implementation of whistleblowing system</p> <p>(1) Has the Company established specific whistleblowing and reward systems, set up conveniently accessible complaint channels, and designated responsible individuals to handle the complaint received?</p> <p>(2) Has the Company established standard operating procedures for investigating the complaints received, actions to be taken upon the completion of investigation, and mechanisms for confidentiality?</p> <p>(3) Has the Company established measures to protect whistleblowers from retaliation?</p>	V		<p>(1) The Company has provided proper channels for reporting of unethical conducts. It would keep the identity and complaint of the whistleblower confidential. The Company has designated responsible individuals to investigate the complaint.</p> <p>(2) The Company follows standard operating procedures and relevant mechanism to maintain the confidentiality of case details when conducting investigations.</p> <p>(3) The Company follows standard operating procedures as well as confidentiality mechanism to protect the whistleblowers from retaliation.</p>	None

4. Enhancement on Information disclosure Does the Company disclose its principles of business ethics and information about implementation of such guidelines on its website and MOPS?	V		The Company has disclosed the “Principles of Business Ethics” on the corporate website at https://www.taiflex.com.tw and the MOPS website at http://mops.twse.com.tw . Relevant information can also be found in this annual report.	None
5. If the Company has established ethical conduct policies based on “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”, please specify any discrepancy between the policies and their implementation: The Company upholds the principles of fairness, honesty, trustworthiness and transparency in all business transactions. Principles of Business Ethics are established in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies” for all employees to follow. There is no significant discrepancy between the policies and their implementation.				
6. Other important information to facilitate better understanding of the Company’s ethical conduct practices (e.g., the Company reviews and revises its Principles of Business Ethics, etc.): The Company follows ethical guidelines for all business transactions and encourages business partners to follow suit.				

- (7) For companies with guidelines and regulations on corporate governance, access shall be disclosed:
- A. Guidelines and regulations on corporate governance: The Company has Code of Ethical Conduct, Principles of Business Ethics, Internal Control System, Procedures for Acquisition or Disposal of Assets, Procedures for Endorsement and Guarantee, Procedures for Lending Funds to Other Parties, Rules of Procedure for Board of Directors’ Meeting, Methods for Evaluating Board of Directors’ Performance, Charter for Compensation Committee, Charter for Audit Committee, Code of Practice for Corporate Governance, Procedures and Guidelines of Business Ethics, etc.
 - B. Please refer to the Company and MOPS websites at <https://www.taiflex.com.tw> and <http://mops.twse.com.tw>, respectively, for more details on the Company’s corporate governance guidelines and regulations.
- (8) Other important information to facilitate better understanding of the Company’s corporate governance:
- A. Procedures for internal material information: The Company has established “Procedures for Prevention of Insider Trading” for Directors, management and employees to follow. The Procedures specify that the Company’s Directors, management and employees shall not violate laws, regulations and orders regarding insider trading. Please refer to the corporate website at <https://www.taiflex.com.tw> for more details.
 - B. For details on Independent Directors’ nomination and election method, nomination process, (qualified) candidates’ profile, election process and outcome, please refer to the Company and MOPS websites at <https://www.taiflex.com.tw> and <http://mops.twse.com.tw>, respectively.

(9) Internal Control System Execution Status:

A. Statement of Internal Control System

TAIFLEX Scientific Co., Ltd.
Statement of Internal Control System

February 23, 2022

Based on the findings of a self-assessment, Taiflex Scientific Co., Ltd. (Taiflex) states the following with regard to its internal control system during the year 2021:

1. Taiflex's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets); reliability, timeliness and transparency of our financial reporting; and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, our internal control system contains self-monitoring mechanisms, and Taiflex takes immediate remedial actions in response to any deficiencies identified.
3. Taiflex evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of internal control based on the process of management: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. Taiflex has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, Taiflex believes that, as of December 31, 2021, its internal control system (including its supervision of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency; reliability, timeliness and transparency of financial reporting; and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-mentioned objectives.
6. This Statement will be an essential content of the Taiflex's Annual Report and Prospectus, and will be publicly disclosed. Any falsehood, concealment, or other illegality in the content made public will entail legal liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act.
7. This Statement has been approved in the Board of Directors' meeting on February 23, 2022, with 0 of the 9 attending Directors expressing objectives, and the remainder all affirming the content of this Statement.

TAIFLEX Scientific Co., Ltd.
Chairperson: Ta-Wen Sun
President: Zong-Han Jiang

- B. Where CPAs are retained to audit the internal control system, please disclose the CPAs' audit report: None.

(10) Any penalties imposed upon the Company or internal personnel by laws, or punishment imposed by the Company on internal personnel for violation of the Company's internal control system regulations, details on the punishment if it might have significant impact on the shareholders' equity or security prices, major defects and corrective action thereof in the most recent year and as of the date of this annual report: None.

(11) Major resolutions of Shareholders' Meetings and Board of Directors' meetings in the most recent year and as of the date of this annual report:

A. Major resolutions of Shareholders' Meetings and Board of Directors' meetings are summarized as follows:

Shareholders / Board Meetings	Date	Major Resolutions
Shareholders' Meeting	2021.07.16	<ol style="list-style-type: none"> 1. Approved the Company's audited 2020 financial statements 2. Approved the Company's 2020 earnings distribution 3. Amended the Company's "Articles of Incorporation" 4. Completed the by-election for one seat of Independent Director
Board of Directors' Meeting	2021.01.22	<ol style="list-style-type: none"> 1. Approved the Company's distribution of 2020 compensation to employees and remuneration to Directors 2. Approved the Company's 2020 annual net income bonus to managers 3. Approved the Company's operation plan and capital expenditure budget for 2021 4. Proposed to increase the investment in Rudong Fuzhan Scientific Co., Ltd. by US\$9,000 thousand to meet business needs 5. Proposed to participate in the cash capital increase of the subsidiary, Taichem Materials Co., Ltd.
Board of Directors' Meeting	2021.02.24	<ol style="list-style-type: none"> 1. Approved the Company's 2020 business report and financial statements 2. Approved the Company's 2020 earning distribution 3. Approved accounts receivables past due for over three months are not of financing nature as of December 31, 2020 4. Appointed the Company's CPAs for 2021 and assessed their independence and competence 5. Applied to renew the borrowing facilities with banks to meet business needs 6. Approved the provision of endorsement and guarantee to subsidiaries 7. Approved matters associated with shareholders' right to propose in the 2021 Annual Shareholders' Meeting 8. Formulated plans associated with the agenda of the 2021 Annual Shareholders' Meeting 9. Approved the Company's 2020 assessment on the effectiveness of internal control system and issuance of the "Statement of Internal Control System"
Board of Directors' Meeting	2021.03.18	<ol style="list-style-type: none"> 1. Approved the by-election for one seat of Independent Director 2. Approved matters associated with the nomination of Independent Director candidate in the 2021 Annual Shareholders' Meeting 3. Amended plans associated with the agenda of the 2021 Annual Shareholders' Meeting
Board of Directors' Meeting	2021.04.12	<ol style="list-style-type: none"> 1. Amended the Company's "Articles of Incorporation" 2. Nominated and reviewed the list of candidates for the by-election of Independent Director 3. Amended plans associated with the agenda of the 2021 Annual Shareholders' Meeting
Board of Directors' Meeting	2021.04.28	<ol style="list-style-type: none"> 1. Approved accounts receivables past due for over three months are not of financing nature as of March 31, 2021 2. Approved the provision of endorsement and guarantee to subsidiaries 3. Approved the provision of Letter of Comfort to investees - Taichem Materials Co., Ltd. and Koatech Technology Corporation

Shareholders / Board Meetings	Date	Major Resolutions
Board of Directors' Meeting	2021.06.29	<ol style="list-style-type: none"> 1. Approved the 2020 distribution of remuneration to Directors and compensation to managerial employees 2. Reviewed managerial personnel changes and compensation to these managers 3. Set the date for the postponed 2021 Annual Shareholders' Meeting
Board of Directors' Meeting	2021.07.29	<ol style="list-style-type: none"> 1. Appointed the new 4th-term Compensation Committee member 2. Approved the consolidated financial statements for the six months ended June 30, 2021 3. Approved accounts receivables past due for over three months are not of financing nature as of June 30, 2021 4. Approved matters relating to the ex-dividend scheme for 2021 5. Approved the Company's fund-raising project 6. Approved the Company's disposal of operating equipment to a related party
Board of Directors' Meeting	2021.10.27	<ol style="list-style-type: none"> 1. Approved the consolidated financial statements for the nine months ended September 30, 2021 2. Approved accounts receivables past due for over three months are not of financing nature as of September 30, 2021 3. Amended the Company's "Guidelines for Performance Evaluation of the Board of Directors" 4. Approved the limit for loans to subsidiaries 5. Proposed to execute derivative trading for a specific purpose

B. Execution of resolutions of 2021 Annual Shareholders' Meeting:

- (a) Approved the audited 2020 financial statements

Voting Results			(In Shares)
Total Votes	Votes For	Votes Against	Abstain
165,855,608	156,670,013	5,263	9,180,332
100.00%	94.46%	0.01%	5.53%

- (b) Approved the 2020 earnings distribution

Execution: The record date was set on August 22, 2021 and the distribution was completed on September 03, 2021. (Cash dividend of NT\$2.5 per share.)

Voting Results			(In Shares)
Total Votes	Votes For	Votes Against	Abstain
165,855,608	156,792,972	104,261	8,958,375
100.00%	94.54%	0.06%	5.40%

- (c) Approved amendments to the Company's "Articles of Incorporation"

Execution: The Company has proceeded in accordance with the amended Procedures which is available at the corporate website.

Voting Results			(In Shares)
Total Votes	Votes For	Votes Against	Abstain
165,855,608	156,890,953	5,294	8,959,361
100.00%	94.59%	0.01%	5.40%

(d) Held the by-election for one seat of the 9th-term Independent Director

Elected: Mr. Yung-Shun Chuang

Execution: The outcome was approved by and registered with the MOEA on July 30, 2021 with details available at the corporate website.

(12) Different opinions expressed by Directors or Supervisors regarding major resolutions, either by recorded statement or in writing, in 2021 and as of the date of this annual report: None.

(13) Resignation or discharge of Chairperson, President and Officers of Accounting, Finance, Internal Audit, Corporate Governance and Research and Development in 2021 and as of the date of this annual report:

Title	Name	Onboard Date	Resignation Date	Reason
President	Zhi-Ming Yen	August 01, 2017	December 31, 2020	Plan to retire on January 01, 2021

5. Audit Fees for CPA

(In Thousands of New Taiwan Dollars)

Accounting Firm	Name of CPA	Audit Period	Audit Fee	Non-audit Fee	Total	Note
Ernst & Young	Fang-Wen Li Jheng-Chu Chen	2021	3,040	4,235	7,275	Non-audit fee refers to work for the issuance of overseas unsecured convertible bonds of NT\$3,800 thousand, tax compliance audits of NT\$100 thousand, audits on the physical inventory on bonded goods of NT\$100 thousand and money advanced of NT\$235 thousand.

(1) Non-audit fees paid to CPAs, CPA's accounting firms and their affiliates exceeding 25% of the audit fees: Please refer to the table above for details on non-audit fees and services.

(2) Change of accounting firms with audit fee paid in the year of change being less than the previous year: None.

(3) Over 10% decrease in audit fee on a year-to-year basis: None.

6. Change of CPA:

(1) Former CPA

Date	February 23, 2022		
Reasons for Change and Explanation	Due to internal organizational changes in Ernst & Young, CPAs, Fang-Wen Li and Jheng-Chu Chen were replaced by Jheng-Chu Chen and Ching-Piao Cheng.		
Explain whether the Company ended the engagement or CPA declined further engagement	Cases	Parties	The Company
	Voluntarily Termination of Engagement	CPA	N/A
	Decline (Terminate) Further Engagement		
Opinion and reason for the former CPA to issue an audit report expressing other than an unqualified opinion during the two most recent years	None		
Disagreement with the Company	Yes		Accounting principle or practice
			Financial report disclosure
			Auditing scope or procedure
			Others
	No	V	
	Explanation: None		
Supplementary Disclosure (Matters specified in Items 1-4 to 1-7, Subparagraph 6, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies)	None		

(2) Successor CPA

CPA Firm	Ernst & Young
CPAs	Jheng-Chu Chen and Ching-Piao Cheng
Date of Engagement	February 23, 2022
Consultation on accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered prior to the engagement	None
Written opinions from successor CPA regarding disagreeable items of the former CPA	None

(3) Response by mail from the former CPA regarding matters in Items 1 and 2-3, Subparagraph 6, Article 10: None.

7. Any of the Company's Chairperson, President, or Managers in Charge of Finance or Accounting Held a Position in the CPA's Firm or Its Affiliates in the Most Recent Year: None.

8. Changes in Shareholding and Shares Pledged by Directors, Supervisors, Managers and Shareholders with 10% Shareholdings or More in the Most Recent Year and as of the Date of this Annual Report

(1) Changes in Shareholding by Directors, Supervisors, Managers and Major Shareholders:

(In Shares)

Title	Name	2021		By March 28, 2022	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Corporate Director	Qiao Mei Development Corporation	0	0	0	0
Representative of Corporate Director and Chairperson	Ta-Wen Sun	0	0	0	0
Director and Vice Chairperson	Chein-Ming Hsu	0	0	0	0
Director	Ching-Yi Chang	820,000	0	0	0
Corporate Director	Fuding Investment Co., Ltd.	0	0	0	0
Representative of Corporate Director	Re-Zhang Lin	0	0	0	0
Director	Chun-Chi Lin	0	0	0	0
Director and Senior R&D Director	Fu-Le Lin	(13,000)	0	0	0
Independent Director	Wen-I Lo	0	0	0	0
Independent Director	Shi-Chern Yen	0	0	0	0
Independent Director (Note 1)	Duen-Jen Cheng	0	0	0	0
Independent Director (Note 2)	Yung-Shun Chuang	0	0	0	0
President	Zong-Han Jiang	0	0	0	0
Vice President	Jiang-Zhi Zhao	0	0	0	0
Senior Assistant Vice President	Zhen Lin	0	0	0	0
Senior Assistant Vice President	Chong-Chen Liu	0	0	0	0
Senior Assistant Vice President	Guo-Xiong Xia	0	0	0	0
Senior Assistant Vice President	Bing-Xun Zhang	0	0	0	0
Assistant Vice President	Xin-Yuan Chen	0	0	0	0
Assistant Vice President (Note 3)	Kuo-Liang Chiang	0	0	0	0
Assistant Vice President (Note 3)	Yu-Han Huang	0	0	0	0
Assistant Vice President (Note 3)	Yu-Meng Hsu	0	0	0	0
Plant Chief (Note 3)	I-An Chen	0	0	0	0
Chief Financial Officer	Fang-I Hsieh	0	0	0	0
Corporate Governance Officer	Chi-Yuan Pan	0	0	0	0

Note 1: Mr. Duen-Jen Cheng resigned from his position as an Independent Director due to personal reason on March 17, 2021.

Note 2: Mr. Yung-Shun Chuang was elected as an Independent Director in the by-election on July 16, 2021.

Note 3: New managers: Kuo-Liang Chiang and Yu-Han Huang on July 1, 2021; Yu-Meng Hsu on November 1, 2021 and I-An Chen on February 1, 2022.

(2) Stock Transfer

Directors, Supervisors, Managers and Shareholders with 10% shareholdings or more did not transfer stocks to related parties.

(3) Share Pledged

As of March 28, 2022 (In Shares, %, New Taiwan Dollars)

Name	Reasons for Changes in Pledge	Date of Change	Counterparty	Relationship between the Counterparty and the Company, Directors, Supervisors, Managers and Shareholders with 10% Shareholdings or More	Number of Shares	Share holding %	Pledge %	Amount of Pledge (Redemption)
Qiao Mei Development Corporation	Pledge	2016.03.23	Chinatrust Commercial Bank	None	4,800,000	7.78	29.51	95,000,000

9. Top 10 Shareholders Who are Related Parties, Spouses, or within Second-Degree of Kinship to Each Other

Relationship between Top 10 Shareholders

As of March 28, 2022; (In Shares; %)

Name	Shareholding		Spouses, Minor Children		Nominee Arrangement		Names and Relationship of Top 10 Shareholders who are Related Parties, Spouses or within Second-Degree of Kinship to Each Other		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Chang Wah Electromaterials Inc. Representative: Canon Huang	20,501,000	9.80	0	0	0	0	-	-	-
Qiao Mei Development Corporation Representative: Ta-Wen Sun	16,263,729	7.78	0	0	0	0	-	-	-
BaoJie Funds in custody of Standard Chartered Bank Main Branch	11,970,120	5.72	0	0	0	0	-	-	-
Fubon Life Insurance Co., Ltd. Representative: Ming-Hsing Tsai	10,453,000	5.00	0	0	0	0	-	-	-
Huasheng International Investment Corp. Representative: Zhi-Cheng Zhang	6,938,945	3.32	0	0	0	0	-	-	-
Ching-Yi Chang	5,829,282	2.79	2,000	0	0	0	-	-	-
E Ink Holdings Inc. Representative: Johnson Lee	2,888,000	1.38	0	0	0	0	-	-	-
Chang Wah Technology Co., Ltd. Representative: Canon Huang	2,856,000	1.37	0	0	0	0	-	-	-
Vanguard Total International Stock Index Fund Managed under Vanguard Star Funds in custody of JPMorgan Chase Bank N.A. Taipei Branch	2,552,994	1.22	0	0	0	0	-	-	-
You Ben Investment Co., Ltd. Representative: Ta-Wen Sun	2,457,367	1.18	0	0	0	0	-	-	-

10. Number of Shares Held and Shareholding Percentage of the Company, the Company's Directors, Supervisors, Managers and Directly or Indirectly Controlled Entities on the Same Investee

Shareholding Percentage

(In Thousands of Shares; %)

Investee (Note 1)	Investment by the Company		Investment by Directors, Supervisors, Managers and Directly or Indirectly Controlled Entities		Total	
	Shares	%	Shares	%	Shares	%
Taistar Co., Ltd.	21,825	100.00	0	0	21,825	100.00
LEADMAX Limited	10	100.00	0	0	10	100.00
Koatech Technology Corporation	13,700	53.86	2,214	8.70	15,914	62.56
Innovision FlexTech Corp.	3,787	14.37	4	0.02	3,791	14.39
TFS Co., Ltd.	15,520	100.00	0	0	15,520	100.00
Taiflex Scientific Japan Co., Ltd.	6	100.00	0	0	6	100.00
TSC International Ltd.	0	0	21,170	100.00	21,170	100.00
Kunshan Taiflex Electronic Co., Ltd. (Notes 2)	0	0	0	100.00	0	100.00
Richstar Co., Ltd.	44,000	73.94	15,510	26.06	59,510	100.00
Shenzhen Taiflex Electronic Co., Ltd. (Note 2)	0	0	0	100.00	0	100.00
Taiflex USA Corporation	1	100.00	0	0	1	100.00
Rudong Fuzhan Scientific Co., Ltd. (Note 2)	0	0	0	100.00	0	100.00
Geckos Technology Corp.	2,524	29.19	0	0	2,524	29.19
Taichem Materials Co., Ltd.	17,000	100.00	0	0	17,000	100.00
Taiflex Green Power Co., Ltd.	2,000	100.00	0	0	2,000	100.00
KTC Global Co., Ltd.	0	0	960	100.00	960	100.00
KTC PanAsia Co., Ltd	0	0	955	100.00	955	100.00
Kunshan Koatech Technology Corporation (Note 2)	0	0	0	100.00	0	100.00

Note 1: Long-term investment of the Company as of December 31, 2021

Note 2: Investments in companies located in China through reinvestment of a company established in the third area.

IV. Capital Overview

1. Capital and Shares

(1) Source of Capital:

A. History

As of March 28, 2022 (In Shares; NT\$)

Month / Year	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source	Capital Increase by Assets Other than Cash	Others
2017.05	10	300,000,000	3,000,000,000	208,445,192	2,084,451,920	Employee stock options	None	By Jing-Jia-Shou-Gao-Zi No. 10640010920 on 2017.05.15
2017.08	10	300,000,000	3,000,000,000	208,450,692	2,084,506,920	Employee stock options	None	By Jing-Jia-Shou-Gao-Zi No. 10640011590 on 2017.08.10
2017.11	10	300,000,000	3,000,000,000	208,780,192	2,087,801,920	Employee stock options	None	By Jing-Jia-Shou-Gao-Zi No. 10640012080 on 2017.11.10
2018.02	10	300,000,000	3,000,000,000	208,846,692	2,088,466,920	Employee stock options	None	By Jing-Jia-Shou-Gao-Zi No. 10740010230 on 2018.02.13
2018.03	10	300,000,000	3,000,000,000	209,119,692	2,091,196,920	Employee stock options	None	By Jing-Jia-Shou-Gao-Zi No. 10740010820 on 2018.04.27

B. Type of shares

As of March 28, 2022; (In Shares)

Type \ Shares	Authorized Capital			Remark
	Outstanding	Unissued Shares	Total	
Listed Common Shares	209,119,692	90,880,308	300,000,000	None

C. Shelf Registration: None.

(2) Shareholder Composition

As of March 28, 2022 (In Shares; %)

Type \ Quantities	Government Agencies	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	0	5	285	31,920	87	32,297
Shares	-	13,703,600	61,551,513	106,417,679	27,446,900	209,119,692
%	-	6.55%	29.43%	50.90%	13.12%	100.00%

(3) Shareholding Distribution

A. Common share:

As of March 28, 2022 (In Shares; %)

Shareholding	Number of Shareholders	Number of Shares	%
1 ~ 999	18,851	692,264	0.33%
1,000 ~ 5,000	10,283	20,768,915	9.93%
5,001 ~ 10,000	1,634	12,533,910	5.99%
10,001 ~ 15,000	491	6,091,983	2.91%
15,001 ~ 20,000	294	5,385,204	2.58%
20,001 ~ 30,000	257	6,390,087	3.06%
30,001 ~ 40,000	132	4,641,412	2.22%
40,001 ~ 50,000	70	3,223,608	1.54%
50,001 ~ 100,000	131	9,670,082	4.62%
100,001 ~ 200,000	59	8,166,203	3.91%
200,001 ~ 400,000	43	12,005,315	5.74%
400,001 ~ 600,000	17	8,326,050	3.98%
600,001 ~ 800,000	8	5,662,966	2.71%
800,001 ~ 1,000,000	3	2,717,820	1.3%
Over 1,000,001	24	102,843,873	49.18%
Total	32,297	209,119,692	100.00%

B. Preference share: None.

(4) Major Shareholders

The name, number of shares and shareholding percentage of shareholders with holdings equal to or exceed 5% or the top 10 shareholders:

As of March 28, 2022 (In Shares; %)

Shareholding	Shares	%
Major Shareholders		
Chang Wah Electromaterials Inc.	20,501,000	9.80%
Qiao Mei Development Corporation	16,263,729	7.78%
BaoJie Funds in custody of Standard Chartered Bank Main Branch	11,970,120	5.72%
Fubon Life Insurance Co., Ltd.	10,453,000	5.00%
Huasheng International Investment Corp.	6,938,945	3.32%
Ching-Yi Chang	5,829,282	2.79%
E Ink Holdings Inc.	2,888,000	1.38%
Chang Wah Technology Co., Ltd.	2,856,000	1.37%
Vanguard Total International Stock Index Fund Managed under Vanguard Star Funds in custody of JPMorgan Chase Bank N.A. Taipei Branch	2,552,994	1.22%
You Ben Investment Co., Ltd.	2,457,367	1.18%

(5) Market Price, Net Worth, Earnings and Dividends Per Share

(In NT\$)

Item		Year	2020	2021	01/01/2022 to 03/28/2022 (Note 5)
Market Price per Share	Highest		58.00	60.80	48.30
	Lowest		35.50	43.15	43.20
	Average		49.77	50.17	46.51
Net Worth per Share (Note 1)	Before Distribution		35.67	37.13	-
	After Distribution		33.17	Note 6	-
Earnings per Share	Weighted Average No. of Shares (in thousands of shares)		209,120	209,120	-
	Earnings per Share		3.70	3.51	-
Dividends per Share	Cash Dividends		2.50	Note 6	-
	Stock Dividends	Earnings	-	Note 6	-
		Capital Surplus	-	Note 6	-
	Accumulated Undistributed Dividend		-	-	-
Analysis on Investment Return	Price/Earnings Ratio (Note 2)		13.45	14.29	-
	Price/Dividend Ratio (Note 3)		19.91	Note 6	-
	Cash Dividend Yield (Note 4)		5.02%	Note 6	-

Note 1: The numbers are based on the number of shares outstanding at the end of year and the distribution plan approved by the following year's Shareholders' Meeting.

Note 2: Price/Earnings Ratio = Average Closing Price for the Year / Earnings per Share

Note 3: Price/Dividend Ratio = Average Closing Price for the Year / Cash Dividends per Share

Note 4: Cash Dividend Yield = Cash Dividends per Share / Average Closing Price for the Year

Note 5: As of the date of this annual report, data is not yet reviewed by CPAs.

Note 6: As of March 28, 2022, earnings distribution for 2021 is pending for approvals from the Shareholders' Meeting.

(6) Dividend Policy and Its Execution Status

A. The dividend policy is stipulated in the Articles of Incorporation as follows:

Article 28 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 the directors shall not be higher than four percent of the balance.

The compensation can be made in the form of stock or cash based on the Board resolution. Parties eligible to receive the said compensation shall include employees in affiliated companies who met certain conditions set by the Board. The distribution plan of compensation to employees and remuneration to the directors shall be submitted to the shareholders' meeting.

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 the directors based on the above-mentioned ratios.

Article 28-1 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 capital reserves. However, this shall not apply when the accumulated legal capital reserve has equaled the total capital of the Company
- (d) Special capital reserve appropriated or reversed as stipulated by relevant laws and regulations or competent securities authority
- (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

Article 29 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 according to the distributable earnings calculated pursuant to Article 28-1 and submit it to the Shareholders' Meeting for approval. At least forty percent of the distributable earnings calculated shall be appropriated as shareholders' dividends. The cash dividend shall not be lower than ten percent of the total dividends and shall be capped at one hundred percent.

- B. Earnings distribution proposal (approved by the Board of Directors and pending for approvals from the Shareholders' Meeting)

The 2021 earnings distribution plan approved by the Board of Directors' meeting on February 23, 2022 is as follows:

- (a) Cash dividend: NT\$522,799 thousand from 2021 earnings, i.e., NT\$2.5 per share. The Board of Directors is authorized to set the record date after the proposal is approved by the Shareholders' Meeting.

- C. Explanation on expected significant changes in dividend policy: None.

(7) Impact of Stock Dividends on Operation Performance and Earnings per Share: Not applicable.

(8) Compensation to Employees, Directors and Supervisors

- A. The percentage or range of compensation to employees and remuneration to directors in the Articles of Incorporation is as follows:

Article 22 The Compensation Committee would evaluate the involvement of directors (including the independent directors) in the business operation of the Company and their contributions to the Company, and make recommendations to the Board concerning their remuneration. The Board of Directors has been delegated to determine the remuneration based on the recommendations from the Compensation Committee with reference to the remuneration standard of the industry.

Article 28 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 the directors shall not be higher than four percent of the balance.

The compensation can be made in the form of stock or cash based on the Board resolution. Parties eligible to receive the said compensation shall include employees in affiliated companies who met certain conditions set by the Board. The distribution plan of compensation to employees and

remuneration to the directors shall be submitted to the shareholders' meeting.

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 the directors based on the above-mentioned ratios.

- B. The estimation basis of compensation to employees and remuneration to directors, calculation basis for number of shares distributed as employee compensation and accounting treatments for difference between estimated and actual payment amount:
- (a) Please refer to (8)A for the estimation basis of compensation to employees and remuneration to directors.
 - (b) The calculation basis for number of shares distributed as employee compensation: The Company did not distribute shares as employee compensation in 2021, thus, this is not applicable.
 - (c) Accounting treatments for difference between estimated and actual payment amount: Amount resolved to be distributed by the Board of Directors was recognized as operating expense in 2021. Difference between the estimated amount and the resolution of Shareholders' Meeting will be recognized in profit or loss of 2022.

C. Proposed compensation approved by the Board

With regard to compensation to employees and remuneration to directors, the proposed 2021 earnings distribution plan approved in the Board of Directors' meeting on February 23, 2022 is as follows:

- (a) The proposed compensation to employees of NT\$74,523,064 (in cash) and remuneration to directors of NT\$20,377,619 in the annual financial reports approved in the Board of Directors' meeting on February 23, 2022 were of the same amount as the expenses recognized in 2021.
 - (b) Amount of stock distributed as employee compensation and as a percentage to net income of parent company only or individual financial statements and aggregate compensation to employees: Not applicable.
- D. Actual payment of compensation to employees and remuneration to directors and supervisors in the previous fiscal year

(In NT\$)

Item	Estimates	Amount Resolved at Shareholders' Meeting (2021.07.16)	Difference	Cause of Difference
Remuneration to Directors (in Cash)	20,651,361	20,651,361	0	None
Compensation to Employees (in Cash)	75,524,170	75,524,170	0	None

(9) Buyback of Common Shares:

A. Transactions completed were as follows:

March 28, 2022

Batch Number	First	Second	Third
Purpose	Shares transferred to employees	Shares transferred to employees	Shares transferred to employees
Period	2008/08/22~2008/09/18	2008/12/25~2009/02/03	2014/10/16~2014/12/15
Price Range	NT\$25.00~40.00	NT\$10.00~15.00	NT\$30.00~60.00
Type and Number of Shares	569,000 common shares	758,000 common shares	2,318,000 common shares
Amount	NT\$15,245,683	NT\$9,276,788	NT\$98,744,333
Number of Shares Repurchased to Number of Shares to be Repurchased	37.93%	75.80%	77.27%
Number of Shares Cancelled and Transferred	569,000 common shares	758,000 common shares	2,318,000 common shares
Cumulative Number of Company Shares Held	0	0	0
Cumulative Number of Company Shares Held to Total Number of Issued Shares (%)	0.00%	0.00%	0.00%

B. Ongoing transactions: None.

2. Corporate Bonds:

(1) Corporate bonds

March 28, 2022

Type of Corporate Bonds	First overseas unsecured convertible bonds in 2021
Issue Date	November 30, 2021
Denomination	US\$100 thousand
Place of Issuance and Listing	Singapore Exchange Securities Trading Limited
Issue Price	100% of par value
Total Amount	US\$70,000 thousand
Coupon Rate	Coupon rate of 0% p.a.
Tenure	5 years from the issue date; Maturity date is November 30, 2026
Guarantor	None
Trustee	Citicorp International Limited
Underwriter	Overseas lead underwriter: KGI ASIA LIMITED Domestic lead underwriter: KGI Securities Co., Ltd.
Legal Counsel	Johnson F.H. Huang, Johnson & Partners
CPA	Jheng-Chu Chen, Ernst & Young

Repayment		<ol style="list-style-type: none"> 1. Unless the bonds have been redeemed, repurchased and cancelled or converted by the bondholders, the Company will redeem the bonds in whole at the par value plus an annual interest rate of 0% on the maturity date. 2. 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.
Outstanding Principal		US\$70,000 thousand (As of March 28, 2022)
Redemption or Early Repayment Clause		<ol style="list-style-type: none"> 1. Three months after the issuance of the bonds and prior to the maturity date, the issuing company may redeem the bonds, in whole or in part, at 100% of the principal amount of the bond plus an annual interest rate of 0% (hereinafter, the “early redemption amount”) when the closing price 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 and divided by the principal amount of the bonds for a period of thirty consecutive trading days. 2. When more than 90 percent of the bonds have been redeemed, converted, repurchased and cancelled, the issuing company may redeem the outstanding bonds early, in whole but not in part, at the “early redemption amount”. 3. When changes in the tax laws of the ROC would result in an increase in tax, additional expenses or cost for the issuing company, the issuing company may redeem the outstanding bonds early, in whole but not in part, at the “early redemption amount” in accordance with the bond indenture. For bondholders who choose not to have their bonds redeemed, they shall not request issuing company to bear the additional taxes or expenses. 4. 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.
Restrictions		None
Name of Credit Rating Agency, Date of Rating and Rating of Corporate Bond		None
Other Rights	Amount of Converted (Exchanged or Subscribed) Common Shares, Global Depository Receipts or Other Marketable Securities as of the Date of the Annual Report	None
	Rules Governing the Issuance and Conversion (Exchange or Subscription)	Please refer to the corporate bonds section under Investment in the MOPS

Possible Dilutive Effect on Equity and Impacts on Shareholders' Equity from the Rules Governing the Issuance, Conversion, Exchange or Subscription as well as Issuance Conditions	If all bonds issued were converted, the dilution ratio would be approximately 14.81%. The dilutive effect on the equity of original shareholders is limited.
Custodian	Not applicable

(2) Convertible bonds

Type of Corporate Bonds		First overseas unsecured convertible bonds in 2021	
Item	Year	2021	As of March 28, 2022
Market price (Note 1)	Highest	US\$101.50	US\$101.50
	Lowest	US\$101.00	US\$100.50
	Average	US\$101.44	US\$101.37
Conversion Price		NT\$53.5	
Issue Date and Conversion Price at Issuance		Issue date: November 30, 2021 Conversion price at issuance: NT\$53.5/share	
Conversion Obligation		Issuance of new shares	

Note 1: Bloomberg data

3. Preferred Shares: None.

4. Global Depository Shares: None.

5. Employee Stock Options:

The Company did not issue employee stock options in 2021 and as of the date of this annual report.

(1) Outstanding employee stock options as of the date of this annual report and the impact on shareholders' equity: None.

(2) Names of managers and top 10 employees receiving the employee stock options as well as the cumulative number of options received and exercised as of the date of this annual report: none.

6. Employee Restricted Stock: None.

7. New Share Issuance in Connection with Mergers and Acquisitions: None.

8. Execution of Funding Plans:

(1) Plan details:

A. Plan details of previous issuance or private placement of securities not yet completed: None.

B. Details of plan completed in the past three years with benefits yet to be shown:

(a) Details of the first overseas unsecured convertible bonds in 2021 are set out below:

The Company issued the first overseas unsecured convertible bonds in 2021 to meet

the needs for business growth. The plan is analyzed as follows:

i. Source of funds:

- (i) Approval date and document number of the competent authority: Official Letter Jin-Guan-Zheng- Fa- Zi No. 1100357863 of Financial Supervisory Commission, Executive Yuan, on September 24, 2021.
- (ii) Total funds required: US\$70,000 thousand
- (iii) Source of funds: The Company issued 700 overseas unsecured convertible bonds in its first issuance. Each bond has a par value of US\$100 thousand. The issue price is US\$100 thousand at a coupon rate of 0% for a tenure of 5 years. A total of US\$70,000 thousand was raised.
- (iv) Plan details have been updated at the MOPS in September 2021. Public disclosure and reporting will be carried out as required by laws and regulations.

ii. Use of funds and possible benefits:

(i) Projected schedule for the use of funds:

(In thousands of New Taiwan Dollars/US Dollars/Japanese Yen)
(Tentative exchange rates: NT\$27.91 = US\$1.00; NT\$0.25 = JPY\$1.00)

Project Item	Scheduled Date of Completion	Total Amount Required		Projected Schedule			
				2021	2022		
				Q4	Q1	Q2	Q3
Foreign-currency material purchases	Q3, 2022	US\$	67,097.8	22,250	20,892	20,917	3,038.8
		NT\$	1,872,700	620,998	583,096	583,793	84,813
Foreign-currency equipment acquisition	Q3, 2022	JPY	324,000	-	-	-	324,000
		NT\$	81,000	-	-	-	81,000
Total		US\$	67,097.8	22,250	20,892	20,917	3,038.8
		JPY	324,000	-	-	-	324,000
		NT\$	1,953,700	620,998	583,096	583,793	165,813

(ii) Possible benefits

- ① Increase mid and long-term working capital and boost profitability.
- ② Reduce the risk of exchange rate fluctuations. Lower the foreign currency risk due to material and equipment payments denominated in foreign currencies.
- ③ Foreign-currency material purchases: Based on the average borrowing rates of 1.2269% for material purchases denominated in US dollars in recent periods, the Company can save US\$823 thousand (NT\$22,970 thousand) in interest expense every year.
- ④ Foreign-currency equipment acquisition:
 - Expected increases in production/sales volume/amount, gross profits, and operating income and the number of years for the recovery of funds

(In M²; Thousands of New Taiwan Dollars)

Year	Item	Production Volume	Sales Volume	Sales Amount	Gross Profit	Operating Income
2022	Electronic Materials	42	41	31,038	5,587	1,673
2023	Electronic Materials	465	416	309,808	61,962	21,470
2024	Electronic Materials	530	516	382,037	72,587	23,534
2025	Electronic Materials	511	503	377,450	71,716	24,704

● Expected number of years for the recovery of funds

(In Thousands of New Taiwan Dollars)

Year	Operating Income (A)	Depreciation (B)	Cash Inflows (A)+(B)	Cumulative Amount
2022	1,673	-	1,673	1,673
2023	21,470	9,000	30,470	32,143
2024	23,534	9,000	32,534	64,677
2025	24,704	9,000	33,704	98,381

Note 1: Machinery and equipment are depreciated over a useful life of 10 years.

Note 2: The expected number of years for the recovery of funds is approximately 3.75 years.

(2) Execution

A. Status for the use of funds and plan execution

(In Thousands of New Taiwan Dollars)

Project Item	Execution Status		As of Q4, 2021	Reasons for Discrepancy and Improvement Plans
			Amount	
Foreign-currency material purchases	Amount Used	Planned	620,998	The actual amount used was NT\$282,003 thousand with a completion rate of 15.06%. The progress was behind schedule mainly because the actual completion date for funds raised through the overseas unsecured convertible bonds in 2021 was November 30, 2021, i.e., one month behind the original schedule. Although the progress was affected in the short-term, the entire plan of foreign-currency material purchases remained to be executed according to the original plan, which was expected to be completed in the third quarter of 2022.
		Actual	282,003	
	Progress (%)	Planned	33.16%	
		Actual	15.06%	
Foreign-currency equipment acquisition	Amount Used	Planned	0	The foreign-currency equipment acquisition was scheduled for the third quarter of 2022, the same as the original plan.
		Actual	0	
	Progress (%)	Planned	0%	
		Actual	0%	

B. Benefits achieved

- (a) Foreign-currency material purchases: After the funds were raised in the fourth quarter of 2021, they were used to pay for foreign-currency material purchases in accordance with the Company's payment schedule. The cash inflows increased the liquidity of working capital, saved interest expense and strengthened financial structure.
- (b) Foreign-currency equipment acquisition: The foreign-currency equipment acquisition was scheduled for the third quarter of 2022, the same as the original plan.

V. Operational Highlights

1. Business

(1) Business Scope

A. Major Products/Services

- (a) CC01080 electronic parts and components manufacturing
- (b) F107170 wholesale of industrial catalyst
- (c) F107200 wholesale of chemistry raw material
- (d) F107990 wholesale of other chemical products
- (e) F119010 wholesale of electronic materials
- (f) F207170 retail sale of industrial catalyst
- (g) F207200 retail sale of chemistry raw material
- (h) F207990 retail sale of other chemical products
- (i) F219010 retail of electronic materials
- (j) ZZ99999 other businesses which are not prohibited or restricted by the laws, in addition to business approved

B. Major Products as a Percentage to Revenue

(In Thousands of New Taiwan Dollars; %)

Main Products	2020		2021	
	Net Revenue	Ratio (%)	Net Revenue	Ratio (%)
Electronic Materials	8,469,882	96.62	8,997,760	95.67
Others	296,436	3.38	407,242	4.33
Total	8,766,318	100.00	9,405,002	100.00

C. Major Products/Services

The Company mainly engages in the researching, developing, manufacturing and selling of Flexible Copper Clad Laminate (FCCL), Coverlay (CL), bonding sheet, stiffener and composite sheet.

D. Development of New Products

The Company will allocate more resources to product development and expedite the process of introducing new products to the market. By using the existing core technology, Taiflex would strengthen its capability in R&D through industry-academia and peer collaboration and integration of resources in order to develop the following products:

(a) Electronic Materials:

Our electronic materials focus on the following three aspects: 1. High-frequency and high-speed materials: antenna and data transmission cables of portable devices in the 5G or even the future 6G era use high-frequency and high-speed materials for users to enjoy the full benefits of high-speed internet and achieve the goal of artificial intelligence of things. For different frequency, the Company develops a variety of Low Dk and Low Df materials, e.g., modified polyimide (MPI) and liquid crystal polymer (LCP) as well as fluoro-based materials for super high frequency; 2. Materials featuring high dimensional stability and low ion transport: data transmission demand brings on increasing application designs for multi-layer PCB

and SiP with FPC, and the quest for high precision and precise positioning would increase the demand for materials with high dimensional stability. When we also consider the use of fine circuits, materials shall have low ion transport on top of high dimensional stability to avoid short circuit. Therefore, we develop materials featuring high dimensional stability and low ion transport to satisfy the market demand; and 3. Fast-charging materials: with advancing functions and efficiency, power consumption of portable devices has always been an issue, thus comes the need for fast charging. Relatively speaking, fast charging requires higher voltage and current, therefore, thick copper materials are the mainstream. The processing of thick copper materials is more challenging and requires a certain degree of process stability. With years of experience in copper foil, we excel in process control. Therefore, we also develop think copper products to satisfy the growing demand.

(b) Materials for Automotive Applications

The two major applications of automotive materials are: (i) power batteries for alternative energy vehicles and electronic components for self-driving cars, and (ii) automotive electronics and applications in entertainment systems and instrument panels. As the automotive industry undergoes the transition between traditional fossil fuel vehicles, hybrid vehicles and electric vehicles, its design concepts have changed as well, bringing in business opportunities for new materials. The demand of FCCL is expected to keep on increasing. We have invested resources on products which satisfy requirements of the automotive market, i.e., high weather resistance, flame retardance and safety, aiming for the automotive market to become a new growth momentum for the Company.

(c) Optical Materials for Displays

We develop materials for optical protective films to be used in foldable displays in our pursue of high-value applications. As for the emerging display technology – Mini-LED, we develop adhesive for packaging and materials for mass transfer, poising to ride the wave of display revolution.

(d) Semiconductor Products

- (i) To develop high-thermal and chemical resistant laser debonding coating primarily used as temporary adhesive materials in the advanced packaging process for semiconductors. After customers complete the processes on the carrier, they would use laser release to remove the carrier and produce the final products.
- (ii) To develop UV release tape with high chemical resistance, which can be used in the semiconductor packaging process as a temporary bonding material for wafer polishing and dicing as well as during the cutting of optical lens.

(2) Industry Overview

A. Industry Status and Development

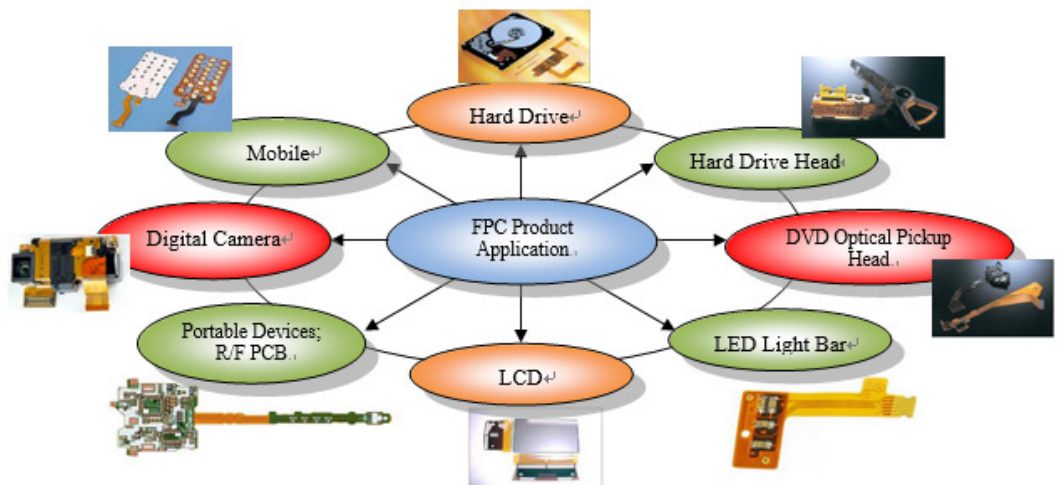
(a) FPC industry

Flexible Print Circuit (FPC) refers to flexible copper clad laminates processed through photolithographic technology into a conductor for data transmission in electronic devices. FPC composes mainly of insulating materials, bonding adhesive and copper foil conductors. A cover layer (CL) is applied once the flexible circuit is completed to avoid oxidation of copper wires and to protect the circuit from heat and moisture.

Flexible Copper Clad Laminate (FCCL), the primary product of Taiflex, is composed of copper foil and PI resin. It is an essential raw material for FPC. FCCL is categorized into two groups: the traditional 3L-FCCL and 2L-FCCL. The latter has become the mainstream due to demands for thinner and lighter mobile devices.

FPC is more flexible, thinner and lighter. Those characteristics satisfy the needs of data transmission and telecommunication products to be compact. Thus, consumer electronics industry is the primary market for FPC and accounts for approximately 80% to 90% of its sales. A traditional mobile phone uses 3 to 6 FPCs mainly for connecting screen, camera module, keypads and memory card slot with the mainboard. A Notebook (NB) uses 5 to 6 FPCs to connect panels, Hinge, DVD player and NB Cam with the mainboard. It is apparent that FPC was traditionally used to connect external components with the mainboard. However, its application has now broadened to be an extension of the printed circuit board design following the trend for lighter and thinner electronic devices. A wider range of applications is expected under the continuous demand for lighter, thinner and multifunctional electronic devices in the future, e.g., smartphones with new features such as 3D facial recognition and wireless charging functions would stimulate the FPC demand. A smartphone uses 6 to 8 FPCs on average, a touch-screen device needs 1 to 2 more FPCs, and a tablet requires 8 to 12 FPCs. The growth in mobile devices would continue to drive the growth in FPC industry.

Applications of FCCL



The first wave of growth in FPC took place around year 2000 with booming development in NB, and the second one was brought about by high-growth in the demand for mobile devices such as smartphones and tablets since 2008. The market is also driven by international corporations allocating significant resources into developing multifunctional compact mobile devices to meet consumer needs and the rapid growth in emerging markets. In the past few years, the FPC industry outgrows the overall PCB industry. Looking into the future, the trend for lighter and thinner electronic devices and the continuous demand for products such as smartphones, tablets, and wearable devices, combine with the growth in emerging markets, such as China, India and Africa, will drive the growth in FPC industry.

FPC is a highly concentrated industry. The main producers are located in Japan, Taiwan and Korea. The top 10 producers contribute to more than 70% of the global output and Japanese suppliers alone account for approximately 40%. Even though Japanese producers enjoy superior technology and larger scale, profits are limited by higher production costs. They are forced out of markets with lower technology barrier and profitability, such as single-sided circuit and some double-sided circuit markets. Instead, those orders are fulfilled by Taiwanese, Korean and Chinese suppliers. In Taiwan and Korea, the continual advancement in FPC technology creates fierce competition in the multi-layer circuit market. This drives Japanese producers to expand their capacity in Southeast Asia, mainly Thailand, in order to lower the production costs.

Japanese FPC suppliers (especially Fujikura) suffered massive damage during Thailand floods in 2011. Thus, they started to expand the production lines across Vietnam and Malaysia. During the same period of time, Taiwan and Korean suppliers focus on advancing technology and increasing production scale and market share. At present, Japanese, Taiwanese and Korean FPC suppliers are the three key players in the industry.

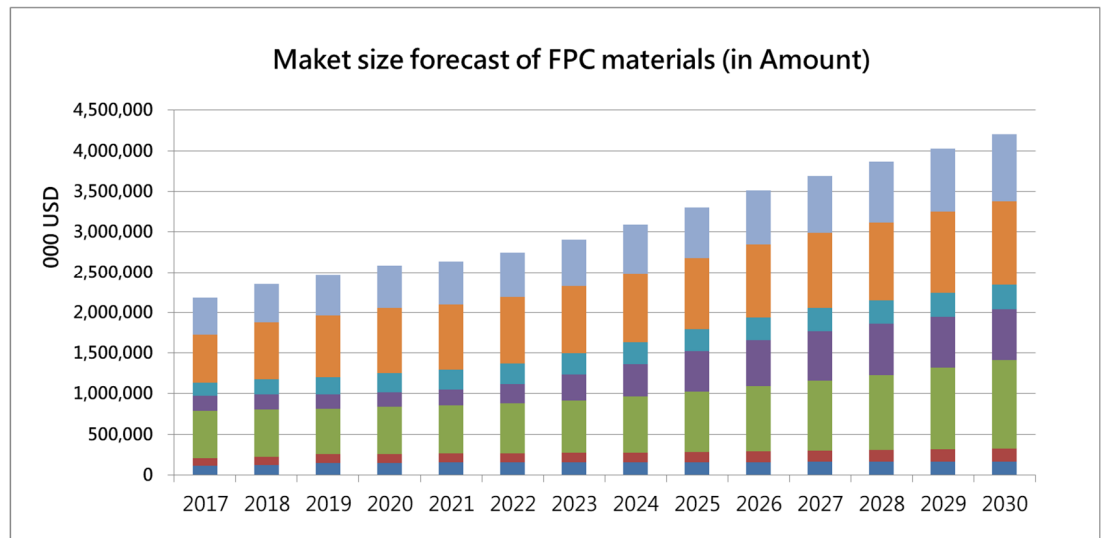
Since the explosive growth of mobile devices in 2010 triggers an enormous increase in FPC production, penetration of smartphones and tablets PCs continues to climb and contributes significantly to the overall growth of FPC industry. However, as smartphones and tablets already have high market penetration rates, it is unlikely that the shipment of these two products will significantly boost the FPC industry. The IDC projects a CAGR of 3.6% for global smartphones between 2020 and 2025, maintaining a stable growth.

The future growth momentum of FPC lies in the new applications of 5G high-frequency materials. The 5G progress made 2020 the first year in the 5G era as the launches of more 5G smartphones with a certain level of success announced the official commencement of 5G worldwide.

COVID-19 continued to exert its influence on global economy in 2021. Adjustments on preventive measures adopted by governments around the world brought about a surging demand whereby major economies enjoyed significant economic growth. Numbers released by IDC showed an overall increase of about 5.7% in smartphone sales in 2021 and the proportion of 5G phone sales continued to climb steadily. The shipment of 5G phones is projected to account for more than 40% of global smartphone shipment in 2021 and the proportion will continue to rise in the next few years. Therefore, they will be the driving factor for consumers to replace their phones. Because the transmission speed of 5G is 20 to 40 times faster than that of 4G, there are relatively strict requirements for high-frequency, high-speed transmission and high-stability characteristics in a product. The future challenge for each FPC company is to enhance their product functions to meet the standards of high frequency, low loss, and high stability for 5G. Also, companies are expecting the enormous business opportunities brought on by mobile phone replacement demand in the future.

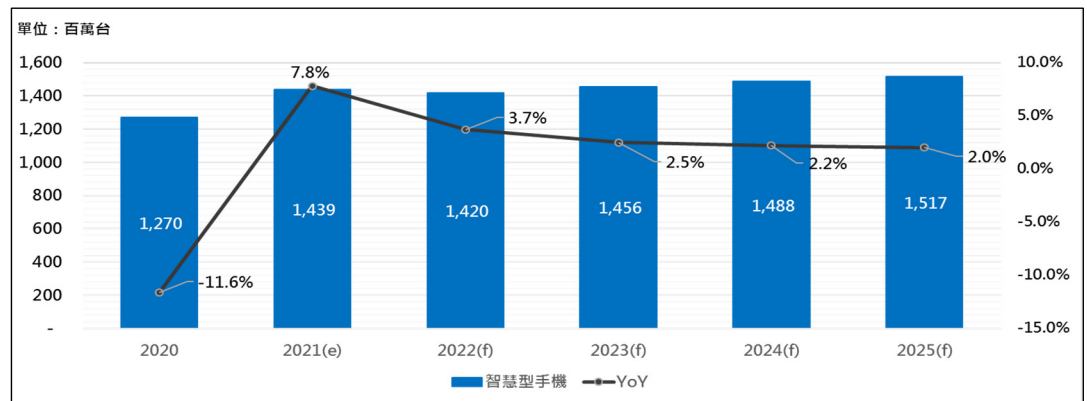
Market Size Forecast of FPC Materials

(In thousands of US dollars)



Source: JMS (2020)

Smartphone Shipmnet Projections



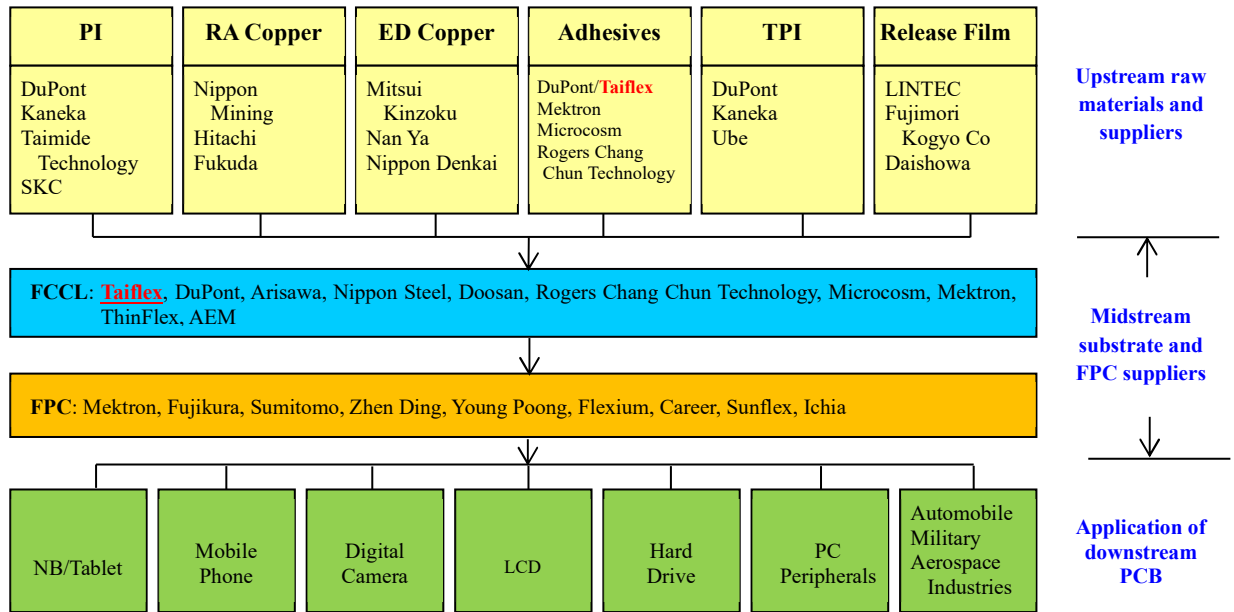
Source: MIC(2021.09); Company data

B. Supply Chain

(a) FPC industry

Principal raw materials in the upstream of FPC industry are PI film, copper foil and adhesive. LCP film suppliers have joined the rank with the development of high-frequency materials and the key supplier include Kuraray, a Japanese company. Midstream material, FCCL, is the primary product of the Company. Major producers include Taiflex, AEM, ThinFlex, DuPont, Microcosm, Rogers Chang Chun Technology, Mektron, NSC, Doosan, Toray, and Arisawa. Downstream suppliers are FPC producers, for instance, Mektron, Career, Ichia, Sunflex, Flexium and Zhen Ding, etc.

Supply Chain of FPC industry



Source: ITIS, Company data

C. Macro-economy and Industry Development Trend

FPC industry:

CCL product and technology development are driven by downstream demands. Following the trend for compact, reliable and multifunctional electronic products, the needs for high frequency, high speed and anti-electromagnetic interference products are increasing, which brought along development of related products by the FCCL industry.

The use of electronic materials stresses on reducing pollution given the rising awareness in maintaining a green environment. Thus, suppliers intensify their efforts in the research and development of eco-friendly materials. Under European Union RoHS regulations, electronic industry converts to the use of halogen-free materials, which initiates an evolution in materials adopted by CCL industry. At present, smartphone manufacturers gradually utilize eco-friendly substrates. With increasing discussion over environmental issues and regulatory compliance, eco-friendly materials will become the basic requirement of products.

Among the various demands, the quest for compact devices remains unchanged. Thus, 2L-FCCL, with its advantage of being thinner, officially replaces 3L-FCCL to become the mainstream specification in the market. Its penetration rate continues to rise and drives the major FPC producers to aggressively expand their production capacity. Thus, 2L-FCCL-related materials and technology development will be the focus of research and development.

Material development will center around features of high frequency and high speed in response to various 5G applications. Based on choices made by major material companies and brands, the mainstreams are the applications of MPI, LCP and fluorine in FCCL, attracting active participations from companies worldwide.

D. Product Competition

Electronic materials:

The global supply of FCCL is dominated by Japan, Taiwan and Korea. The main competitors include Nippon Steel and Arisawa at Japan, Doosan at Korea and ThinFlex and AEM at Taiwan. However, the PCB industry in China has grown rapidly with help

from the government. A complete industry cluster, which includes copper foil plants, CCL plants, and assembly factories, is taking shape. Meanwhile, there are peers entering the FCCL market. For instance, ITEQ and Shengyi Technology have been actively switching from CCL to FCCL recently. Consequently, the competition has become more complicated. With the 5G commercial deployment, competitors will fight aggressively to position themselves in the lead in order to increase their influence. Therefore, the next two years will be extremely critical.

Furthermore, in recent years, numerous system integrators have shifted their production lines to China, which bring FPC companies over so that the latter can stay close to their customers. Thus, China PCB industry achieves tremendous growth and becomes the most dominating production base in the world. Even though the China-US trade war and COVID-19 pandemic drive companies to diversify production bases in order to avoid supply chain interruptions, in terms of regional concentration of industries, supply of technical human resource and infrastructures, China still enjoys absolute advantages. Therefore, the strategies of large companies continue to evolve around China with global diversification as a supplement. To meet customer demands and upon evaluating the overall global strategies, Taiflex has established comprehensive production lines and well-structured distribution channels in China. On the whole, Taiflex is in the leading position regarding capacity, scale, customer portfolio and profitability and remains highly competitive in the FPC industry.

(3) Technology and Research and Development

A. Technology and R&D

The Company's R&D division was established when Taiflex was founded in August, 1997. In the early stage, the division focused on the research and development of Polymer film (Coverlay) and copper clad laminate. In 1999, Taiflex signed the Adhesiveless FPC Material Technology Transfer Agreement and collaborated on the development of substrate packaging materials with ITRI. In 2000, Arisawa MFG Co., Ltd. transferred FCCL and coverlay process inspection technology to the Company. Those technologies are the foundation of Taiflex's development. In addition to the existing FPC products, the Company actively researches and develops new products to expand the business scope. Besides in-house research and development, the Company improves technical capability by cooperating with other players in the industry; for example, it cooperates with ITRI and domestic universities as well as well-known companies in Taiwan in research and integration. Those efforts accelerate the Company's transformation into a world-class flexible material specialist.

B. Education Level of Research and Development Personnel

(In number of people)

Education \ Year	2019	2020	2021
Ph.D. and Master's Degree	65	66	62
Bachelor's Degree/College	46	46	59
Senior High School	6	6	7
Total	117	118	128

C. Research and Development Expenses from 2017 to 2021

(In Thousands of New Taiwan Dollars)

Year	2017	2018	2019	2020	2021
R&D Expenses	257,468	264,278	284,486	281,360	323,220
Net Revenue	11,192,892	9,643,051	7,583,654	8,766,318	9,405,002
Percentage of Revenue (%)	2.30	2.74	3.75	3.21	3.44

Source: Audited financial statements from 2017 to 2021

D. Technology or Product Developed from 2017 to 2021

Year	Item	Result
2017	Development of ultra-thin white one-layer CVL	Thinner product (overall thickness \leq 25 μ m). Reflectivity > 85% (550nm)
	Development of PI Base bonding sheet (for laser drilling)	Bonding sheet for multilayer laser drilling. The shrinkage after drilling is \leq 5 μ m
	Development of 2-layer single/double-sided FPC for fine circuits	Coat self-made TPI on PI films for single and double-side pressing. Copper thickness can range from 1.5 μ m (fine-circuits) ~ 2Oz and PI thickness 1 mil. ~ 5 mil. Excellent dimensional stability.
	Research and development of high frequency materials, polyimide	Low Df product (Dk: 3.2, Df: 0.004). Can be used in 5G antenna board. The testing done by customers demonstrates an equivalent quality to Dupont TA type high-frequency FPC.
	Development of high-frequency FFC materials	Develop FFC for high-speed transmission (LCP Type) Dk: 2.7 Df: 0.0018 @10GHz. Can be used in high-speed transmission cables, e.g., 8k, Intel Thunderbolt 3.0 and high-end Server Cable. PET Type is in small production.
2018	Research of 5G millimeter wave materials	Develop polyimide and bonding sheet with low df and low moisture absorption rate. When used in the antenna boards and build-up boards of mobile transmission interface under 5G system, they can lower transmission loss and interference, and control characteristic impedance.
	Development of wireless charging materials for hand held devices	Develop adhesiveless double-sided FPC with different thickness based on customers' demands in order to streamline their process and satisfy the demand for wireless charging at the end-market.
	Research of dielectric materials for semiconductor packaging	Mainly rely on PI resin modification to improve dielectric properties so that materials can reduce signal loss at higher-frequency transmission. Electronic products can thus transmit data precisely and lower energy consumption during high-speed transmission.
	Development of aluminum plastic films for lithium batteries	Developed aluminum plastic films, the packaging material for lithium batteries

2019	Application of 5G materials to Sub-6 frequency	Developed materials associated with Modified-PI base FCCL
	Application of 5G materials to mm-Wave	Developed single/double-sided FPC with LCP-based FCCL
	Laser de-bond adhesive materials	Application of laser de-bond adhesive to semiconductor materials
	Bonding sheet for high frequency application	Development of bonding sheet with laser absorbance of 0.1 and 1.0 completed.
2020	Development of single/double-sided FPC with high dimensional stability	Developed single/double-sided FPC with PI-based multi-layer casting type FCCL
	Cover-layer for fine-line with low ion transport	Developed materials for anti-migration cover-layer for fine-line and fine-pitch applications
	Fluoro-based material for millimeter wave	Developed single/double-sided FPC with fluoro-based FCCL
	Materials for displays	Applied CPI + hard coating to the development of foldable display materials
2021	Bonding sheet for fine-line with low ion transport	With 35/35 fine circuit, it passed the tests of 85°C/85%RH at 1000hrs, 50VDC and 110°C/85%RH at 144 hours, 50VCD with no ion migration nor whisker formation. It has high reliability.
	Development of 2nd-generation stiffener	Improved storage stability to further reduce the defect rate at customer end
	Ultra-thin cover-layer for fine-line with low ion transport	Featuring fine-line and ultra-thinness for the designs of next-generation FPC

(4) Business Development Plan

A. Long-term Business Development Plan

(a) Marketing strategy

- (i) Establish regional marketing offices and logistic centers to enhance competitiveness and advantages
- (ii) Identify niche markets and diversify product profile to diminish the impacts of business cycle on operation
- (iii) Segment target markets precisely and establish appropriate strategies to increase market share
- (iv) Form strategic alliances, maintain long-term supply chain relationships and pursue sustained cooperative development.

(b) Production strategy

- (i) Establish domestic and overseas production bases to stay close to customers and set up global logistics centers to lower logistic costs
- (ii) Identify specific function for each equipment to enhance production efficiency, yield and outputs
- (iii) Dual certification and sourcing of key materials to lower the risk of factories shutdown or logistics disruption from a single area
- (iv) Simplify manufacturing process and identify cost elements to improve production efficiency and reduce waste

- (c) Product development strategy
 - (i) Introduce advance materials and technology through cooperation with international companies to develop cutting edge products
 - (ii) Strengthen industry-academia collaboration to build technical capabilities for materials
 - (iii) Purchase from domestic vendors in compliance with government policies
 - (iv) Expedite the development and launches of new products through supply chain integration

(d) Scale of operation and financing

Through diversification and internationalization, Taiflex expands its markets to increase operation scale. The Company also utilizes various financial instruments and international fund-raising tools to supplement operating capital, lower finance costs and build global presence to achieve business goals and sustainability.

B. Short-term Business Development Plan

(a) Marketing strategy

- (i) Increase the market share in the Greater China Region and Southeast Asia, support the product design trends of the market and customers, strengthen customer services, establish good relationships with customers and build customer trust to achieve higher customer satisfaction
- (ii) Understand the dynamics of customers' product designs and the use of major materials and convey the information to R&D, production and quality assurance divisions to increase customer loyalty
- (iii) Develop overseas markets and customers proactively and cooperate with more overseas agents to boost export sales and overall revenues
- (iv) Attend overseas seminars and product launches to enhance corporate presence and identify potential customers
- (v) Establish and develop product application database for product promotion

(b) Production strategy

- (i) Enhance production flexibility to cope with temporary volatility in orders
- (ii) Improve supply-chain management to shorten the delivery of raw materials, decrease lead time, expedite product delivery and improve accuracy to enhance customer satisfaction and lower inventory costs
- (iii) Identify optimal cost-efficient material suppliers with considerations to the price, service and capability factors in order to obtain the lowest costs possible and minimize the overall cost through strategic alliance in supply chain

(c) Product development strategy

- (i) Improve the quality of existing products and expand product applications
- (ii) Improve manufacturing process and yield, lower product costs and enhance product competitiveness

(d) Operation and financial strategy

With possible downturn in consumer spending due to global geopolitics and inflation, we would pay special attention to inventory control and credit management in order to minimize potential drops in sales. Also, we would structure ideal fund-raising channels using various financing tools to supplement short-term operating capital and lower the cost of short-term financing. Furthermore, we would implement control systems to enhance company presence and attract talented personnel to strengthen management performance and corporate health.

2. Market and Sales Overview

(1) Market Analysis

A. Sales Distribution by Region

(In Thousands of New Taiwan Dollars; %)

Region \ Year	2020		2021	
	Amount	Ratio (%)	Amount	Ratio (%)
Taiwan	2,446,463	27.91	2,751,874	29.26
China	5,982,093	68.24	6,491,687	69.02
Others	337,762	3.85	161,441	1.72
Total	8,766,318	100.00	9,405,002	100.00

B. Market Share

- (a) FCCL and CL: Based on the JMS market survey, the market share of Taiflex was estimated to be around 15% to 20% in 2021.

C. Future Supply and Demand and Market Growth

(a) FPC Industry

FCCL and CL produced by the Company are the primary upstream raw materials in FPC industry. Main applications of FPC include portable electronic devices, PC/NBs, panels, digital cameras, etc. Major drivers include smartphones, tablets, and emerging applications in automobile industry, Internet of Things and wearable devices.

Smartphone and tablet industries are summarized as follows:

(i) Smartphones

Ever since Apple launches iPhone which creates a wave of demand for smartphone, the industry has flourished. However, high penetration rate and close-to-saturation market slow down the smartphone growth. The market shifts focus to replacement demand and expects to maintain a single-digit, slowing growth.

IDC, an international market research company, reports global smartphone shipment of 1.35 billion units in 2021, a increase of 5.7% year-over-year. As the pandemic slows down and the vaccination rate increases, control measures have gradually been lifted. However, worldwide chip shortages stop mobile phone sales from enjoying a significant growth. At present, smartphone makers channel their efforts on 5G phones, expecting 5G communications and metaverse to be the new driving factors for smartphone growth.

Compared to a feature phone, a smartphone requires more FPCs as it provides multi-functions. The addition of various external components, including touch panel, side keys, and antennas, are connected to the mainboard through FPC, leading to the surge in demand. Moreover, FPC gradually becomes the base material for circuit design following the trend for a thinner and lighter mobile phone. In general, a traditional mobile phone uses 3 to 6 FPCs whereas a smartphone could use 6 to 8 FPCs. As functions increase, some models might employ more than 20 FPCs. As the number of FPCs used by each phone increases, FPC industry is expected to maintain a higher-than-market growth rate even if the overall smartphone growth slows down.

Also, the smartphone market has been dominated by major players and top brands have enjoyed obvious competitive advantages. Our key strategy in the slow-growth market would be to increase our market share in the supply chain of major brands.

Production and Market Share Ranking of Top 5 Smartphone Brands in 2020 and 2021

Top 5 Companies, Worldwide Smartphone Shipments, Market Share, and Year-Over-Year Growth, Calendar Year 2021 (Preliminary results, shipments in millions of units)					
Company	2021 Shipment Volumes	2021 Market Share	2020 Shipment Volumes	2020 Market Share	Year-Over-Year Change
1. Samsung	272.0	20.1%	256.6	20.0%	6.0%
2. Apple	235.7	17.4%	203.4	15.9%	15.9%
3. Xiaomi	191.0	14.1%	147.8	11.5%	29.3%
4. OPPO	133.5	9.9%	111.2	8.7%	20.1%
5. vivo	128.3	9.5%	111.7	8.7%	14.8%
Others	394.3	29.1%	450.5	35.2%	-12.5%
Total	1,354.8	100.0%	1,281.2	100.0%	5.7%

Source: IDC Quarterly Mobile Phone Tracker, January 27, 2022

(ii) Tablet

Other than the robust growth due to smartphone, tablet consumes the most FPC within the consumer electronic devices in recent years. For desktops, FPC is primarily used for components, such as LCDs and hard drive heads, which consume relatively small quantity. Thus, the growth of FPC used to come from NB application, which utilizes 5 to 8 FPCs per set (excluding the screen).

IDC statistics show global tablet shipments of 169 million sets in 2021, representing an annual growth rate of 3.2%. Market demand decelerates as vaccines become widely available and the work from home demand slows down. Nevertheless, digitization as well as remote learning and work as a result of the pandemic have become a lifestyle. Therefore, notebooks, tablets and video equipment continue to enjoy a certain degree of growth momentum. Since major brands have high market shares, it is crucial to become a designated supplier and have our products certified by major brands.

Shipment and Market Share of Top 5 Tablet Brands in 2020 and 2021

Top Five Tablet Companies, Worldwide Shipments, Market Share, and Growth, Calendar Year 2021 (Preliminary results, combined company view for the current quarter only, shipments in millions)					
Company	2021 Unit Shipments	2021 Market Share	2020 Shipments	2020 Market Share	Year-Over-Year Growth
1. Apple	57.8	34.2%	53.3	32.6%	8.4%
2. Samsung	30.9	18.3%	29.7	18.2%	3.8%
3. Lenovo	17.7	10.5%	14.8	9.1%	19.2%
4. Amazon.com	16.1	9.5%	14.0	8.6%	15.1%
5. Huawei*	9.7	5.7%	14.3	8.7%	-32.1%

Others	36.7	21.7%	37.4	22.8%	-1.8%
Total	168.8	100.0%	163.5	100.0%	3.2%
5. Huawei (including Honor volume in 4Q20)**	9.7	5.7%	16.0	9.8%	-39.5%
Source: IDC Worldwide Quarterly Personal Computing Device Tracker, January 28, 2022					
Table Notes:					
* Since Huawei sold its Honor business, data for Huawei in the top line excludes Honor volume for both 4Q21 and 4Q20.					
** For year-on-year comparison, an extra line has been added below the table to show what Huawei's growth would have looked like including Honor volume in 4Q20.					

D. Competitive Advantage

(a) Proximity to the market to expedite services

The Company has established comprehensive production lines and well-structured distribution channels in the Greater China Region, the largest production and consumer market in the world. Geographical advantages allow the Company to respond to customers promptly and offer highly flexible supply capability and reasonable prices. It also helps customers to cut down costs which in turn facilitates our long-term strategic cooperation with major customers. Moreover, having production bases in both China and Taiwan gives the Company flexibility in supply under the trade war shadow.

(b) Stable supply of raw materials

Some of the key components for FCCL are highly oligopolized; therefore, supply chain management and stable supply of raw materials are vital elements in the industry competition. As one of the industry leaders, Taiflex has competitive advantages in purchasing volume and customer portfolio and forms long-term strategic alliances with key raw material suppliers on this basis. Consequently, the Company enjoys greater advantages in obtaining key materials.

(c) Strong research and development capabilities

As a professional supplier of electronic materials, the Company's research and development capabilities are acknowledged by international corporations. Fine adhesives are developed according to customer requirements using the core technology of chemical synthesis. Moreover, long-term relationships with key raw material suppliers facilitate collaborations to satisfy customers' needs for new technology and materials. The Company's research and development team receives positive reviews among peers.

(d) Leading automatic high-precision coating technology

In addition to chemical synthesis technology, Taiflex possesses high-precision coating and pressing technology. The complete range of products can be mass produced using the auto high-precision coating machines. Fine technology in coating and pressing ensures products are of excellent quality and have a wide range of application; for instance, they can be used in FPC, semiconductor and optical industries. The Company can diversify risks and enhance competitiveness.

(e) Bright future for the industry

With the arrival of 5G era, high-frequency and high-speed transmission will bring brand new product applications and growth momentum. Being a long-term partner in the main supply chain, Taiflex is well aware of the demands for new products and will be able to welcome the growth momentum brought on by 5G with our customers.

E. Favorable and unfavorable factors for long-term development

(a) Favorable factors:

(i) New innovative applications for FPC guarantee growth momentum

FPCs are traditionally used in NB to connect panels to the mainboard and in CD/DVD-ROMs. However, the demand for thinner and lighter mobile devices in communication and computer markets leads to a surge in smartphones and tablets sales. As smartphones are driven to provide multi-functions, various external components, including touch panels, side keys, and antennas, are added and the number of FPCs used are several times greater than ones consumed by conventional feature phones. Furthermore, the subsequent growth in 5G will bring new growth momentum. Thus, continuous material revolutions keep the industry on a healthy growth path.

(ii) A sound relationship throughout the supply chain

As one of the leading FCCL suppliers, Taiflex forms strategic alliances with end customers and maintains a sound relationship. From material sampling to production plans, the Company works closely with customers and consequently builds an invisible barrier to entry. Moreover, Taiflex is superior to peers in term of purchasing volume and liquidity, and forms strategic alliance with suppliers of key materials to ensure stable supply. As flexible materials are highly oligopolized, this is one area where it is difficult for competitors to compete. Being able to enjoy supports from key suppliers while the industry expands has been one of Taiflex's absolute advantages.

(b) Unfavorable factors:

(i) Key raw materials are concentrated on few vendors

As some of the key materials for the Company's primary product, FCCL, have high technology barriers to entry, qualified suppliers are mostly international corporations in Japan and US. Key materials for FCCL include Polyimide (PI) from DuPont and Taimide Technology, rolled annealed Copper foil (RA Copper) from Nippon Mining in Taiwan, and electrodeposited copper foil (ED copper) from Mitsui Kinzoku. The aforementioned purchase policy considers the fact that supply of key raw materials is concentrated on a few international corporations due to product quality stability and customer requests.

Countermeasures:

- ① Maintain good relationship with other vendors as a secondary source of supply to ensure competitive prices and sufficient supply
- ② Build a sound feedback mechanism. Customer feedback would be summarized and communicated to suppliers to facility relevant testing, improve product quality and strengthen relationships.

(ii) Rapid price erosion

With fierce competitions in the consumer electronics industry, gross profit is eroded and customers continuously ask for price cuts. Those factors combine with price competitions from peers result in enormous pressure to lower the prices.

Countermeasures:

- ① Expand market share with advantages of superior quality and solid relationship with customers. Enhance equipment efficiency and product yield to effectively lower the product cost.
- ② Improve bargaining power with large volume purchases to lower material costs
- ③ Forge strategic alliance with international corporations to secure orders and strengthen technology.

(2) Main applications and manufacturing process of key products

A. Main application of key products

Key products of the Company include Coverlay and FCCL. Their main applications are as follows:

- Coverlay: Protect FPC against oxidation
- FCCL: Connect external components to the mainboard and extend circuit wirings; widely used in electronic products, including NB, mobile phone, hard drive, CD/DVD-ROM, calculator, V8 camera, stereo, DVD player, optoelectronic display, IC substrate and LCD

B. Manufacturing process

Product			
Process Flow	Coverlay	3L-FCCL	2L-FCCL
	Adhesive mixing	Adhesive mixing	Mixing
	Filtering	Filtering	Coating
	Coating	Coating	Curing
	Drying	Drying	Thermal Imidization
	Laminating	Laminating	Slitting
	Rolling	Rolling	Packaging
	Slitting	Re-rolling	Warehousing
	Packaging	Setting	-
	Warehousing	Slitting	-
	-	Packaging	-
	-	Warehousing	-

(3) Supply of key raw materials

Key Raw Material	Main Source	Supply
PI Film	Japan, U.S., Taiwan	Good
Copper foil	Japan	Good
Release film	Japan	Good

Given the advanced technologies and economy of scale possessed by Japanese and U.S. suppliers, they provide majority of upstream materials. To maintain product stability and meet customers' requests, the Company purchases materials from a small number of major material suppliers abroad. However, the Company also maintains strong relationship with other vendors of the same products to ensure price competitiveness and sufficient supply of materials and thereby diminish the risk of purchase concentration. In whole, Taiflex maintains

solid relationships with raw material suppliers. There has been no shortage or interruption of supply, and the quality and delivery schedule have been normal.

- (4) Suppliers/Customers account for 10% or more of the Company's total purchase/ revenue in 2020 and 2021:

A. Key suppliers in 2020 and 2021

(In Thousands of New Taiwan Dollars)

Item	2020				2021			
	Name	Amount	Percentage to Annual Net Purchase (%)	Relationship with the Company	Name	Amount	Percentage to Annual Net Purchase (%)	Relationship with the Company
1	Supplier A	1,539,397	26.95	None	Supplier A	2,115,205	32.01	None
2	Supplier B	686,875	12.02	None	Supplier C	608,422	9.21	None
3	Supplier C	680,018	11.91	None	Supplier B	606,086	9.17	None
4	Others	2,805,910	49.12	None	Others	3,278,259	49.61	None
	Net Purchase	5,712,200	100.00		Net Purchase	6,607,972	100.00	

Note: 1. Net purchase includes processing fee.

2. As of the date of this Annual Report, i.e., March 28, 2022, CPA-audited or reviewed financial statements of the latest period is not available.

Variance Analysis:

The Company's suppliers of key raw materials are long-term business partners with a steady supply of quality products. Other than small changes due to requests from customers and adjustments on the Group's operational strategies, there is no significant change in supplier ranking. The total purchase amount in 2021 showed a larger degree of increase on a year-over-year basis as COVID-19 played havoc with the supply chain and we adopted a more aggressive short-term inventory policy to mitigate the risk of supply chain disruption and maintain a higher degree of flexibility, which further boosted the purchase volume of raw materials. We will adjust our inventory level dynamically depending on the pandemic and the demand and supply of the supply chain as a whole for our overall inventory to stay at a healthy level. Also, our purchases from Supplier A increased due to increasing shipment of our new products.

B. Key customers in 2020 and 2021

(In Thousands of New Taiwan Dollars)

Item	2020				2021			
	Name	Amount	Percentage to Annual Net Revenue (%)	Relationship with the Company	Name	Amount	Percentage to Annual Net Revenue (%)	Relationship with the Company
1	Company A	1,238,579	14.13	None	Company C	1,064,332	11.32	None
2	Company B	1,087,687	12.41	None	Company B	1,040,528	11.06	None
3	Company C	874,551	9.97	None	Company A	1,007,578	10.71	None
4	Others	5,565,501	63.49	None	Others	6,292,564	66.91	None
	Net Revenue	8,766,318	100.00		Net Revenue	9,405,002	100.00	

Note: As of the date of this Annual Report, i.e., March 28, 2022, CPA-audited or reviewed financial statements of the latest period is not available.

Variance Analysis:

We have maintained long-term relationship with key customers. Changes in the ranking were mainly due to industry characteristics such as order allocations and designated materials of brands. However, our relationship with major customers remained intact.

(5) Production in 2020 and 2021

(In Thousands of New Taiwan Dollars; Thousands of M²)

Year	2020			2021		
Production Product	Capacity (Note 1)	Output	Amount	Capacity (Note 1)	Output	Amount
Electronic Materials	-	46,679	6,282,334	-	49,472	7,054,360
Others	-	3,708	156,618	-	4,037	231,571
Total	63,000	50,387	6,438,952	70,000	53,509	7,285,931

Note 1: Capacity refers to production quantity generated by existing machinery and equipment under normal operation after incorporating factors such as necessary shutdown and holidays. However, different products have different production efficiency. Therefore, actual capacity would be affected by shipment mix.

Note 2: The same machinery and equipment can be used for different products; therefore, capacity is calculated on an aggregate basis.

(6) Shipments and sales in 2020 and 2021

(In Thousands of New Taiwan Dollars; Thousands of M²)

Year	2020				2021			
Shipment/ Sales Product	Domestic		Overseas		Domestic		Overseas	
	Shipment	Sales	Shipment	Sales	Shipment	Sales	Shipment	Sales
Electronic Materials	19,976	2,151,878	23,136	6,282,537	19,717	2,380,933	24,372	6,616,827
Others	4,532	294,585	37	37,318	9,268	370,941	4	36,301
Total	24,508	2,446,463	23,173	6,319,855	28,985	2,751,874	24,376	6,653,128

3. Human Resources in the Past Two Fiscal Years and as of the Date of this Annual Report (No. of Employees, Average Year of Service and Age, and Education)

(No. of people; %)

Item		Year	2020	2021	As of February 28, 2022
No. of Employees	Direct		554	613	599
	Indirect		544	632	639
	Total		1,098	1,245	1,238
Average Age			38.33	45.24	45.60
Average Year of Service			4.67	5.23	5.37
Education	Ph.D.		0.55	0.56	0.57
	Master's Degree		12.93	13.58	13.97
	Bachelor's Degree		55.28	56.06	54.93
	Senior High School		28.69	27.55	27.78
	Below Senior High School		2.55	2.25	2.75

Note: Number of employees is calculated based on personnel at work.

4. Expenditure Related to Environmental Protection

- (1) Losses incurred (including indemnity and violations of environmental protection laws and regulations identified during environmental audits) as a result of pollution in 2021 and as of the date of this annual report: None.
- (2) Estimated amount at present or in the future and action plans:

In addition to the environmental protection works actively promoted and the total quantity control measures implemented at our Kaohsiung home base in recent years, the international trend of becoming carbon neutral and the domestic requirements on carbon reductions and renewable purchase obligations have all imposed stricter environmental protection requirements. To fulfill our social responsibilities and for sustainable developments, we employ the latest ISO14001: 2015 - Environmental Management Systems: Plan → Do → Check → Action for continuing improvements. Furthermore, we take into account the life cycle of raw material - extraction, manufacturing, distribution and waste in the discussion of internal and external issues, and uphold our environment, safety and health policies of regulatory compliance, green innovations, waste reduction & recycling, full participation, workplace safety, risk control, energy conservation & carbon reduction, and continuing improvements to reduce the risk of occupational disasters and impact on the environment. Thus, we did not suffer losses from violations of laws and regulations or pollution. Expenditure related to environmental protection is listed in the table below. To adopt enclosed processing systems factory-wide and achieve energy saving as well as emission reduction, the investment amount is estimated to be NT\$82.41 million in 2022.

Summary of Expenditure Related to Environmental Protection

2021	
Item	Details
1. Environmental protection expenditure	(1) Pollution control (regulatory fees and charges: e.g., air pollution emission fee, etc.)
	(2) Eco-projects to reduce environmental impact (e.g., improvements on the waste gas treatment system)
	(3) Industrial waste disposal charge
	(4) Industrial waste recycling charge (reuse)
	(5) Environmental management fee (the maintenance and certification of ISO14001 management system)
	Total spending: NT\$42,368 thousand
2. Environmental efficiency	(1) Savings on pollution control and reduction measures were about NT\$25,920 thousand (purification and recycling of NMP of NT\$25,247 thousand and natural gas reduction of NT\$673 thousand)
	(2) Savings on reduction, recycling and reuse of industrial waste were about NT\$12,221 thousand
	(3) Savings from measures improving wastewater treatment efficiency were about NT\$8,500 thousand
	(4) Savings on resource recycling (resource recycling + copper + solvent) were about NT\$63,221 thousand
	Total savings: NT\$109,862 thousand

2021					
Item	Details				
3. Items to be improved	(1) Reduce air pollution (NO _x , TSP, CO ₂)				
	Year	Reduction in Natural Gas (km ³)	Reduction in NO _x (kg)	Reduction in TSP (kg)	Reduction in CO ₂ (kg)
	2021	55.7	89.23	2.67	104,660.3
	(2) Cut down resource consumption (e.g., recycling and reuse of organic solvent waste)				
	Year	Waste adhesive (kg)	Solvent recycling and reuse (kg)		
	2021	72,912	72,912		
4. Impact upon improvement	(3) Improve the efficiency of control facilities (waste gas condensation)				
	(4) Reuse waste				
	Year	Recycling and reuse (kg)			
	2021	507,412			
4. Impact upon improvement	(1) Reduce environmental impact and sponsor community parks to fulfill corporate social responsibilities and achieve sustainability				
	(2) Provide heating value of control facilities to reduce resource consumption and environmental impact				
	(3) Innovative eco-measures to enhance competitiveness and meet the goal of sustainability				

Improvement schemes for stationary pollution sources and industrial waste are as follows:

A. Air pollution source:

Waste gases from manufacturing process are well-managed. We continue to advance on the operation and management of rotors, waste gas NMP condensation system, wastewater cleaning facilities and RRTOs; and improve the processing efficiency for equipment to be at stable or optimal condition. Through reduction of VOCs emission and savings on natural gas and raw materials consumption, we can avoid wasting resources and cut down secondary pollutants.

B. Industrial wastes:

We engage waste management professionals certified by the Environmental Protection Administration to handle the waste. We select qualified vendors and conduct annual assessments on vendors processing hazardous industrial waste to prevent environmental pollution due to their negligence or violation of laws.

With regard to the management of hazardous industrial waste, we have waste solvent recycling system in place. Recycling saves energy, avoids unnecessary losses and waste, and diminishes the adverse impacts of waste on the environment. We seek the best solutions and set zero pollution as our ultimate goal.

Vacuum pumps are installed to the solvent recycling machine to reduce the solvents' boiling point for distillation and minimize electricity consumed by heaters. As distillation in a vacuum state prevents waste gas emission, the waste gas is collected via enclosed, negative-pressure operation to be processed in air pollution control equipment.

5. Employment Relations

(1) Employees' welfare, education, training and pension, employee relations and protection of employees' rights:

A. Employee Welfare

(a) Medical treatment and insurance coverage:

(i) Group and life insurances: Based on the nature of their work, employees are entitled to life insurance, total and permanent disability insurance, critical illness insurance, occupational injury insurance, accidental injury insurance, cancer insurance, etc. Premiums are paid by the Company. Employees' family dependents can participate in the insurance scheme at a discounted rate.

(ii) Periodic health check-up:

① New employee: Pre-employment physical examination

② Employees: Annual comprehensive health check-ups for all employees and specific ones for personnel engaging in special operations

(b) Profit sharing:

Employee compensation and employee stock ownership trust are carried out in accordance with laws and regulations, Articles of Incorporation and relevant Procedures

(c) Cash gifts:

Cash gifts for Mid-Autumn/Dragon Boat Festivals, wedding and new babies; subsidies for hospitalization, cash gifts for birthdays from the Employee Welfare Committee, education allowance of employees' children, travel fund, etc.

(d) Activities:

Welfare committee would organize activities such as trips, family day, year-end party, free movies, various ball games, fun contests, etc.

(e) Facilities:

Cafeterias, coffee machines, parking lots, reading area, nursery room, fridges reserved for nursing mothers, sports field, official vehicles, exercise equipment, blind massage sessions, shower rooms, etc.

(f) Clubs:

Clubs of charity, softball, basketball, hiking, badminton, shrimp fishing, yoga, etc.

(g) Employee of the year:

Travel allowance and 3-day official leaves, exclusive business card and parking space, and dining with the President in a 5-star restaurant

B. Employee education and training

(a) Training sessions:

(i) For long-term development of the Company and enhancement of employee quality, we survey and summarize requests from different units and carry out education and training upon approval from the training committee. Trainings are categorized as follows:

- ① Internal training: engage qualified consulting firms or professional lecturers as well as internal lecturers to hold various courses
 - ② External training: employees would attend sessions held at training institutions based on specific job requirement.
 - ③ License: hours of training on professional qualification requested by competent authorities
 - ④ Language: subsidies to employees learning languages due to personal interest or job requirement
- (ii) Work environment and safety training for employees:
- ① New recruits: We provide safety and health trainings, such as general knowledge on safety and health, special safety and health training, firefighting drills and chemical disaster response procedures, to new recruits
 - ② Employees: Based on actual job requirements, the Company provides trainings on safety and health and certification to enhance employees' knowledge in handling emergency situations.
 - ③ Contractor: Besides submitting relevant application documents, contractors shall be informed of safety precautions and preventive measures before commencement of work, and the contractor management system shall be implemented to ensure the safety of contractors and employees.
- (b) The Company arranges training sessions based on job and professional requirements, aiming to enhance employees' knowledge and quality in order to improve operational performance.

Employee education and training expenses amounted to NT\$2,995 thousand in 2021. Classes are summarized as follows:

Category	Duration
Training of New Recruits	3,871.5
Language Learning	5,145.0
Quality Assurance	40.0
Internal Training Courses	4,888.5
Attitude	36.0
Production Management	651.0
Engineering Technology	673.0
Marketing and Sales	17.5
Human Resource	372.0
Research and Development	1,443.0
Finance, Accounting and Procurement	151.0
Quality System	3,413.0
Project Management	42.0
Business Management	895.0
Administration Management	229.0

Category	Duration
Occupational and Environmental Safety	557.0
Internal Audit and Control	102.0
Information Technology	1,219.0
Use and Teaching of Computer Data	825.5
Others	264.5
Total	24,835.5

(Note) Duration is calculated based on sessions, attendance and class hours and includes both internal and external sessions.

C. Retirement system:

Pension Policy of the Company is established based on the Labor Standards Act. For statutory compliance, the Company has increased its contribution from an amount equivalent to two percent of the employees' total salaries and wages to six percent on a monthly basis to the pension fund managed by the administered pension fund committee since August, 2015.

The Labor Pension Act took effect on July 1, 2005 and adopted a defined contribution plan. Employees can choose the pension systems under the Labor Standards Act or the one under the Labor Pension Act and retain prior seniority. For the defined contribution plan, the Company would make a monthly contribution of no less than six percent of the monthly wages of employees subject to the plan.

Expenses under defined contribution plan were NT\$31,763 thousand and NT\$26,392 thousand for the years ended December 31, 2021 and 2010, respectively.

D. Employment relations and employee welfare:

The Company has maintained a good employment relation. Frequent communications and coordination facilitate the Company and employees in reaching consensus and smooth the work flow.

- (a) Labor-management meetings: Labor-management meetings are held every quarter to communicate labor laws and regulations and achieve consensus for continuous improvement of compensation and work environment, thereby attracting more talents.
- (b) President meeting: President meeting is a two-way communication channel between executives and employees. Company policies including business operation, quality targets, environmental policies, and occupational safety are communicated at the meeting as well as knowledges and concepts which are helpful to the work and life of management and employee, providing a co-learning environment for employees and Company.
- (c) Department meetings: Meetings serve as a channel for communication between line managers and employees for problem-finding and policy promotion, so that employees can fully understand the technical, safety and health, and quality control aspects of the production process and voice their opinions to reach consensus.
- (d) Employee Welfare Committee meetings: Management and employees can discuss welfare measures, thereby strengthening the relationship. Recommendations from those meetings would be used as reference for administrative management.
- (e) The Company has established Code of Conduct for employees to follow. There is also the Rules for Factory Access to ensure the safety of employees and work environment.

- (f) The Company has established Rules for Occupational Safety and Health and a dedicated unit (Industrial Safety Office) pursuant to the Occupational Safety and Health Act. The unit reports directly to the President. Occupational Safety and Health Committee is also established for employees to participate in the planning and organizing of safety, health promotion and environmental protection events and proactively take parts in relevant activities to ensure their safety and health and prevent occupational disasters.
- (2) Loss incurred due to industrial disputes, estimated amount at present or in the future and actions taken in 2021 and as of the date of this annual report:

There has been no industrial dispute in the history of Taiflex. The Company strives to implement various employees' benefits to avoid losses from the disputes.

- (3) Code of Conduct or Ethics:

The Company has established Code of Conduct for employees to follow.

Extracts from the Code of Conduct are as follows:

Article 24: Permissions of direct supervisors shall be obtained before temporary leave during office hour.

Article 25: No visitors are allowed except for recess periods, unless prior approvals from supervisors are obtained due to special circumstances.

Article 137: Bribe, corruption, blackmail or embezzlement
Bribe, corruption, blackmail and embezzlement are strictly forbidden. All employees are prohibited to participate in any forms of bribe, corruption, blackmail or embezzlement. Violation of rule could result in termination of employment and prosecution.

Article 138: Information disclosure
The Company shall comply with relevant laws and regulations and industry practice when disclosing information of labor, health and safety, environmental protection, commercial activities, organization and structures, financial status and sales. The status and practice of supply chain shall not be forged nor falsely stated.

Article 139: Illegal profit is prohibited
The Company shall not offer or receive bribes or obtain illegal profits through any means.

Article 140: Fair trade, advertisement and competition
The Company shall follow the principle of fair trade in advertisement, sales and competition.

Article 141: Protection of whistleblowers and anonymous complaints
The Company shall establish mechanism or communication procedures to protect the confidentiality of the Company and the whistleblower. Revenge on employees participating in the scheme in good-faith or rejecting orders from vendors in violation of the Code is prohibited. Means shall be provided for employees to file work place complaints anonymously pursuant to local laws and regulations without being fearful of retaliation.

Article 142: Community participation
The Company encourages every employee to participate in community

activities to support social and economic development and contribute to the sustainability of the community where the Company located.

Article 156: All employees shall endeavor to protect “trade secrets” obtained or held during the employment and follow the regulations or instructions of the Company with regard to the information. Other than during normal course of business, employees shall not disclose, inform, deliver or in any means transfer or provide “trade secrets” to a third-party company, nor shall they make public announcement or utilize the information for their own or any third-party’s benefit without prior written consent. Upon termination or discharge of employment, employees agree to abide by the rules until the information was made public or no longer confidential.

(4) Safety measures at work place and for employees’ personal safety:

Category	Details
Access Security	<ol style="list-style-type: none"> 1 The Company has established “Regulations Governing Fab Access”, “Procedures for Security Guards on Duty”, etc. to specify the routes for personnel entering the factory premises in order to maintain the safety of factories and all personnel. 2 Stringent surveillance on all exterior and major interior entrances and exits using security camera or access security system 24 hours a day. 3 Security guards are situated in factories to assist with securing the premises. 4 Quarterly inspection and maintenance on security camera and access security systems. 5 Security systems with on-line connection to the security firm. 6 Monthly education and training sessions for security guards, simulating all possible scenarios and carrying out security drills.
Factory and Equipment Safety & Maintenance	<ol style="list-style-type: none"> 1 Stringent surveillance on all exterior and major interior entrances and exits using security camera or access security system 24 hours a day. Security guards are situated in factories to assist with securing the premises. 2 Annual public safety inspection by specialized company in accordance with the Regulations for Inspecting and Reporting Buildings Public Security. 3 In accordance with the Fire Services Act, annual fire safety inspection shall be conducted by external parties. Periodic maintenance and inspection of fire safety equipment shall be performed. 4 Pursuant to the Regulations for Management of Occupational Safety and Health, periodic maintenance and inspection on high/low pressure electrical equipment, dangerous equipment/machineries, ventilation systems, drinking fountains, etc. shall be performed.
Disaster Prevention and Response	<ol style="list-style-type: none"> 1 The Company has rules which clearly define individual’s responsibilities and tasks in major events such as fire, natural disasters and infectious disease. Sessions on preventive measures and drills are held regularly. 2 The Company invites local fire department to hold drills and lectures on fire drills and safety, and participates in the fire unions at the Technology Industrial Park to maintain operation safety in the neighborhood. 3 The Company establishes dedicated safety and health unit, to promote safety, health and disaster prevention management.
Physical and Mental Health Management and Promotion	<ol style="list-style-type: none"> 1 Health management: Employees are entitled to periodic health screenings on more items and at a shorter interval than what is required by laws. Dedicated personnel would carry out follow-up actions based on the test results, e.g., identifying high-risk groups and providing health education and guidance. 2 Healthy environment: Periodic disinfection, inspections on drinking water and operating environment, and cleaning of the premises by specialized

Category	Details
	<p>personnel.</p> <p>3 Mental health: Organize lectures of stress relief and communication techniques, and initiate the “Taiflex Employee Assistance Program (TEAP)” to assist employees with mental adjustment and provide professional consultation services. There are diverse communication channels in place for employees to express their opinions and thoughts, and rules in place to assist employees with prevention and handling of physical and mental harm.</p> <p>4 Health promotion: Regularly organize health seminars, sporting courses and sporting competitions to enhance employees’ health awareness and improve their health.</p>
Safety Management of Other Stakeholders	Set rules to manage other stakeholders such as contractors and other workers. These rules define contractors’ rights and responsibilities regarding safety and health issues, prevent occupational hazard, and protect the safety and well-being of contractors and Company employees.
Safety Management of Contractor Operations and Other Operators	<p>1 The Company has rules such as the “Rules Governing the Management of Contractors’ Workplace and Safety and Health” and the Rules for Factory Access in place for the management of contractors and other workers. These rules define contractors’ rights and responsibilities regarding safety and health issues, prevent occupational hazard, and protect the safety and well-being of contractors and Company employees.</p> <p>2 Consultative organization meetings with existing and new contractors are held regularly and whenever the need arises to ensure contractors fully understand the operational standards of the Company.</p>
Insurance and Medical Relief	The Company handles labor insurance and national health insurance matters for employees in compliance with relevant regulations. Pursuant to the Labor Insurance Act and Enforcement Rules of the Labor Insurance Act issued by the Ministry of Labor, the Company assists employees in apply for insurance benefit payments from the Bureau of Labor in instances of child birth, injury, illness, disability, seniority and death. In addition, the Company also provides group insurances paid by the Company. The insurance policy covers life insurance, critical illness insurance, accidental injury insurance, accidental medical and hospitalization cover, cancer treatment insurance and outpatient surgery. Employees’ family dependents can participate in the insurance scheme at their own expenses at a special rate. Employees are also entitled to cash gifts for new babies and reliefs for hospitalization.

6. Cyber Security Management

(1) Describe the risk management structure, policy, management plans and resources of cyber security.

A. Risk management structure

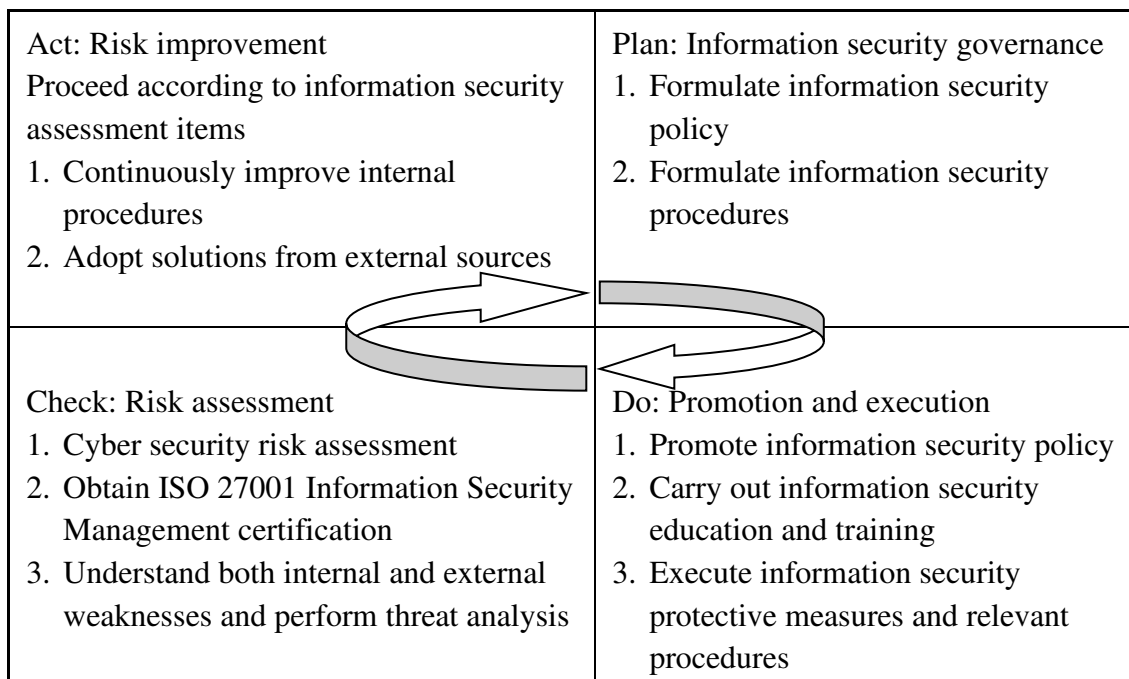
(a) Cyber security management structure

The cyber security management structure is based on the information security management structure set up by the Intangible Asset Security Committee founded in 2015. In addition, the “Information Security and Knowledge Management Division” is established on March 1, 2022 to coordinate the planning, execution and risk management of cyber security as well as trade secret protection. The head of the “Information Security and Knowledge Management Division” plans to report to the Board on the implementation effectiveness of cyber security management and issues of cyber security.

(b) Cyber security policy

The Company complies with the quality system under the international information security structure - ISO 27001 in carrying out circular reviews, inspections and tracking periodically with relevant risk management measures implemented. Also, the four-tier document management standards for classified information are initiated. Employees of the Company and subsidiaries at home and abroad shall comply with relevant rules and proceed accordingly to ensure the availability, integrity and confidentiality of tangible and intangible assets. By preserving our intellectual property, we can also strengthen the competitiveness of the Company.

(c) Risk management and continuous improvement structure of corporate information security



(d) Management plans

Item	Management Plan
Information security protection	
1. Trade secret management	<ul style="list-style-type: none"> ● Establish a document management platform (DMP) and adopt file classification management ● Establish procedures for the retrieval and destruction of confidential documents and implement tracking and management measures
2. Risk management	<ul style="list-style-type: none"> ● Risk assessments and regular vulnerability scanning on computer facilities ● Regular disaster exercises and drills concerning cyber security
3. Information operation security	<ul style="list-style-type: none"> ● Enforce password rules and establish endpoint detection and response (EDR) software ● Set up remote and local back/recovery services
4. Device security	<ul style="list-style-type: none"> ● Set up device security protection mechanisms (e.g., encryption) ● Monitor network and information access security

Item	Management Plan
5. Supply chain security	<ul style="list-style-type: none"> ● Sign non-disclosure agreements (NDA) with suppliers
6. Premises security	<ul style="list-style-type: none"> ● Implement controls over computers of guests/guests ● Implement controls over electronic devices, personal mobile phones and USB flash drives at production lines and laboratories ● Establish access control at office areas and computer room as well as monitor abnormal events
Reviews and continuous improvement	
1. Human resource security	<ul style="list-style-type: none"> ● Carry out cyber security education and training and promote information security instructions company-wide ● Promote “Confidential Information Protection Policy” on the first day of each month to increase employees’ awareness on information security
Monitoring of information security effectiveness	
1. Information security assessment	<ul style="list-style-type: none"> ● The Company has obtained ISO27001 Information Security Management certification for six consecutive years

(e) Resources allocated to cyber security management

Details of resources in 2021 are as follows:

Classification	Outcome
Cyber security certification	Obtained ISO27001 certification for six consecutive years (2016 to 2021)
Audits from key customers	Passed the information security audits of key customers and improvement measures
Employee education and training	Completed group-wide employee cyber security education and training
Internal audits and self-assessment	Continued with periodic vulnerability and threat analyses and reported to top executives

Note: Employees refer to employees of the Company and subsidiaries at home and abroad

B. Cyber security risk and action plans:

The Company has several comprehensive security systems in place for networks, data, data backup and computers, such as anti-virus systems, data encryption systems, hacking prevention systems, EDR system, firewalls, backup systems, and spam prevention systems. These defense systems are important cyber security mechanisms for controlling cyber security risk, preventing trade secrets from leaking, and maintaining the Company’s production and operations.

Nevertheless, as high-end information technology and techniques constantly evolve, Taiflex cannot guarantee that all of its computer systems and networks are completely free from malicious cyberattacks, which may lead to system shutdowns. Those attacks invade the internal networks and computer systems to destroy or damage the Company’s goodwill or steal confidential information. The Company might loss key information, and the production lines and operations may be put on hold.

In addition, the information unit periodically organizes disaster drills and recovery activities to enhance employees' capabilities in emergency situations, arranges information security trainings, and invites external experts to hold trade secret seminars at the Company. Taiflex has obtained ISO27001 Information Security Management certification for six consecutive years with the latest one being in December, 2021.

Even if the Company draws up a comprehensive risk management structure and follows an effective information security management system, there is no guarantee that Taiflex will not be affected by the latest information technology and new types of cyberattacks amid the ever-changing cyber threats. Cyberattacks might try to steal the Company's trade secrets, intellectual property and confidential information, e.g., specific data on suppliers or stakeholders, and employee's personal details. Through regular reviews conducted by the Intangible Assets Security Committee on every operational procedure associated with information security, the Company strengthens or supplements measures against information risk to protect the Company's trade secrets from theft.

- (2) Loss, impacts and action plans due to major cyber security incidents in 2021 and as of the date of this annual report:

In 2021 and as of the date of this annual report, the Company did not identify any major cyberattacks or security breaches, nor was there any existing or possible issues which may have material adverse impact on the Company's operations.

7. Material Contracts

Nature	Counterparty	Duration	Description	Covenant
Land Lease	Kaohsiung Export Process Zone Administration, Ministry of Economic Affairs	2016.01.01 - 2021.12.31	Land lease	No sub-lease, transfer or sub-lent
Land Lease	Kaohsiung Export Process Zone Administration, Ministry of Economic Affairs	2016.02.23 - 2026.02.28	Land lease	No sub-lease, transfer or sub-lent
Land Lease	Kaohsiung Export Process Zone Administration, Ministry of Economic Affairs	2018.03.01 - 2028.02.28	Land lease	No sub-lease, transfer or sub-lent
Land Lease	Kaohsiung Export Process Zone Administration, Ministry of Economic Affairs	2019.02.01 - 2029.01.31	Land lease	No sub-lease, transfer or sub-lent
Long-term Loan	Consortium bank including the Bank of Taiwan	2020.10.29 - 2025.10.28	Syndicated loan	Syndicated loan agreement

VI. Financial Highlights

1. Condensed Balance Sheet and Statement of Comprehensive Income from 2017 to 2021 with Names and Opinions of Independent Auditors

- (1) Condensed Balance Sheet and Statement of Comprehensive Income - International Financial Reporting Standards:

Condensed Balance Sheet (Consolidated)

(In Thousands of New Taiwan Dollars)

Item	Year	Highlights from 2017 to 2021				
		2017	2018	2019	2020	2021
Current Assets		8,532,677	8,425,059	7,601,893	7,581,801	9,556,959
Property, Plant and Equipment		2,876,458	3,020,888	2,993,090	3,176,745	3,360,247
Intangible Assets		121,378	114,708	127,107	124,053	162,379
Right-of-use Assets		-	-	379,444	380,857	371,103
Other Assets (Note 1)		202,723	381,235	272,447	268,459	624,192
Total Assets		11,733,236	11,941,890	11,373,981	11,531,915	14,074,880
Current Liabilities	Before Distribution	3,920,097	3,959,460	2,295,834	2,806,472	2,934,832
	After Distribution	4,442,896	4,482,259	2,818,633	3,329,271	(Note 2)
Non-Current Liabilities		574,076	600,981	1,725,537	1,147,507	3,226,655
Total Liabilities	Before Distribution	4,494,173	4,560,441	4,021,371	3,953,979	6,161,487
	After Distribution	5,016,972	5,083,240	4,544,170	4,476,778	(Note 2)
Equity Attributable to Shareholders of the Parent		7,126,851	7,262,238	7,246,043	7,459,864	7,765,296
Capital		2,088,467	2,091,197	2,091,197	2,091,197	2,091,197
Capital Surplus	Before Distribution	1,441,339	1,446,639	1,342,759	1,066,147	1,145,766
	After Distribution	1,441,339	1,342,079	1,070,904	1,066,147	(Note 2)
Retained Earnings	Before Distribution	3,690,019	3,890,519	4,043,080	4,536,819	4,764,329
	After Distribution	3,167,220	3,472,280	3,792,136	4,014,020	(Note 2)
Other Components of Equity		(92,974)	(166,117)	(230,993)	(234,299)	(235,996)
Treasury Shares		-	-	-	-	-
Non-controlling Interests		112,212	119,211	106,567	118,072	148,097
Total Equity	Before Distribution	7,239,063	7,381,449	7,352,610	7,577,936	7,913,393
	After Distribution	6,716,264	6,858,650	6,829,811	7,055,137	(Note 2)

Note 1: Other Assets are non-current assets excluding Property, Plant and Equipment, Intangible Assets and Right-of-use Assets.

Note 2: As of March 28, 2022, earnings for 2021 are pending for approvals from Shareholders' Meeting.

Note 3: As of the date of this annual report, CPA-audited or reviewed financial information of the latest period is not available; therefore, it is not disclosed.

Condensed Statement of Comprehensive Income (Consolidated)

(In Thousands of New Taiwan Dollars)

Item \ Year	Highlights from 2017 to 2021				
	2017	2018	2019	2020	2021
Net Revenue	11,192,892	9,643,051	7,583,654	8,766,318	9,405,002
Gross Profit, Net	2,134,482	1,993,044	1,739,138	2,078,573	2,198,643
Operating Income	988,890	968,965	740,787	1,042,885	948,808
Non-operating Income and Expenses	(29,792)	(100,423)	51,667	(77,088)	(7,994)
Income Before Income Tax	959,098	868,542	792,454	965,797	940,814
Net Income of Continuing Operations	746,545	679,474	618,282	784,353	744,862
Loss from Discontinued Operations	-	-	-	-	-
Net Income	746,545	679,474	618,282	784,353	744,862
Other Comprehensive Income, Net of Tax	1,673	(22,319)	(125,002)	(31,471)	14,022
Total Comprehensive Income	748,218	657,155	493,280	752,882	758,884
Net Income Attributable to Shareholders of the Parent	734,589	672,309	630,681	772,859	734,654
Net Income Attributable to Non-controlling Interests	11,956	7,165	(12,399)	11,494	10,208
Total Comprehensive Income Attributable to Shareholders of the Parent	736,316	650,156	505,924	741,377	748,612
Total Comprehensive Income Attributable to Non-controlling Interests	11,902	6,999	(12,644)	11,505	10,272
Earnings per Share	3.55	3.22	3.02	3.70	3.51

Note: As of the date of this annual report, CPA-audited or reviewed financial information of the latest period is not available; therefore, it is not disclosed.

Condensed Balance Sheet (Parent Company Only)

(In Thousands of New Taiwan Dollars)

Item	Year	Highlights from 2017 to 2021				
		2017	2018	2019	2020	2021
Current Assets		5,201,413	6,654,636	5,412,728	5,430,061	7,049,812
Property, Plant and Equipment		2,039,184	2,122,285	2,212,219	2,193,741	2,159,881
Intangible Assets		45,372	39,142	52,531	50,467	91,212
Right-of-use Assets		-	-	259,165	251,158	241,961
Other Assets (Note 1)		2,624,700	2,597,206	2,835,575	2,931,670	3,912,483
Total Assets		9,910,669	11,413,269	10,772,218	10,857,097	13,455,349
Current Liabilities	Before Distribution	2,304,309	3,589,858	2,045,086	2,385,554	2,640,670
	After Distribution	2,827,108	4,112,657	2,567,885	2,908,353	(Note 2)
Non-Current Liabilities		479,509	561,173	1,481,089	1,011,679	3,049,383
Total Liabilities	Before Distribution	2,783,818	4,151,031	3,526,175	3,397,233	5,690,053
	After Distribution	3,306,617	4,673,830	4,048,974	3,920,032	(Note 2)
Equity Attributable to Shareholders of the Parent		7,126,851	7,262,238	7,246,043	7,459,864	7,765,296
Capital		2,088,467	2,091,197	2,091,197	2,091,197	2,091,197
Capital Surplus	Before Distribution	1,441,339	1,446,639	1,342,759	1,066,147	1,145,766
	After Distribution	1,441,339	1,342,079	1,070,904	1,066,147	(Note 2)
Retained Earnings	Before Distribution	3,690,019	3,890,519	4,043,080	4,536,819	4,764,329
	After Distribution	3,167,220	3,472,280	3,792,136	4,014,020	(Note 2)
Other Components of Equity		(92,974)	(166,117)	(230,993)	(234,299)	(235,996)
Treasury Shares		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total Equity	Before Distribution	7,126,851	7,262,238	7,246,043	7,459,864	7,765,296
	After Distribution	6,604,052	6,739,439	6,723,244	6,937,065	(Note 2)

Note 1: Other Assets are non-current assets excluding Property, Plant and Equipment, Right-of-use Assets and Intangible Assets.

Note 2: As of March 28, 2022, earnings for 2021 are pending for approvals from Shareholders' Meeting.

Note 3: As of the date of this annual report, CPA-audited or reviewed financial information of the latest period is not available; therefore, it is not disclosed.

Condensed Statement of Comprehensive Income (Parent Company Only)

(In Thousands of New Taiwan Dollars)

Item \ Year	Highlights from 2017 to 2021				
	2017	2018	2019	2020	2021
Net Revenue	7,383,077	7,633,620	6,919,495	7,491,041	7,671,215
Gross Profit	1,507,384	1,698,366	1,726,172	1,786,129	1,781,369
Operating Income	772,238	1,011,455	993,589	973,714	809,497
Non-operating Income and Expenses	130,980	(140,266)	(210,865)	(58,856)	93,234
Income Before Income Tax	903,218	871,189	782,724	914,858	902,731
Net Income of Continuing Operations	734,589	672,309	630,681	772,859	734,654
Loss from Discontinued Operations	-	-	-	-	-
Net Income	734,589	672,309	630,681	772,859	734,654
Other Comprehensive Income	1,727	(22,153)	(124,757)	(31,482)	13,958
Total Comprehensive Income	736,316	650,156	505,924	741,377	748,612
Earnings per Share	3.55	3.22	3.02	3.70	3.51

Note: As of the date of this annual report, CPA-audited or reviewed financial information of the latest period is not available; therefore, it is not disclosed.

(2) Names and opinions of independent auditors from 2017 to 2021:

Year	CPAs	CPA Firm	Audit Opinion	Remark
2017	Fang-Wen Li Jheng-Chu Chen	Ernst & Young	An Unqualified Opinion	Change of CPA due to administrative adjustment within the accounting firm
2018	Jheng-Chu Chen Fang-Wen Li	Ernst & Young	An Unqualified Opinion	Change of CPA due to administrative adjustment within the accounting firm
2019	Jheng-Chu Chen Fang-Wen Li	Ernst & Young	An Unqualified Opinion	-
2020	Fang-Wen Li Jheng-Chu Chen	Ernst & Young	An Unqualified Opinion	Change of CPA due to administrative adjustment within the accounting firm
2021	Fang-Wen Li Jheng-Chu Chen	Ernst & Young	An Unqualified Opinion	-

2. Financial Analysis from 2017 to 2021

(1) Financial Analysis (Consolidated)

Item	Year	Financial Analysis from 2017 to 2021				
		2017	2018	2019	2020	2021
Financial Structure %	Debt Ratio	38.30	38.18	35.35	34.28	43.77
	Long-term Fund to Property, Plant and Equipment Ratio	271.62	264.24	303.30	274.66	331.52
Liquidity Analysis %	Current Ratio	217.66	212.78	331.11	270.15	325.63
	Quick Ratio	173.73	173.63	284.66	221.70	260.19
	Times Interest Earned	1,549	1,851	4,119	4,752	4,624
Operating Performance	Average Collection Turnover (Times)	2.45	1.99	1.84	2.33	2.30
	Days Sales Outstanding	149	183	198	157	159
	Inventory Turnover (Times)	6.56	4.95	4.86	6.02	4.57
	Average Payment Turnover (Times)	3.83	3.68	4.54	5.18	4.75
	Average Inventory Turnover Days	56	74	75	61	80
	Property, Plant and Equipment Turnover (Times)	3.95	3.27	2.52	2.84	2.87
	Total Assets Turnover (Times)	0.95	0.81	0.65	0.76	0.73
Profitability	Return on Total Assets (%)	6.81	6.08	5.43	6.99	5.95
	Return on Equity (%)	10.66	9.29	8.39	10.50	9.62
	Net Income before Income Tax to Paid-in Capital Ratio (%)	45.93	41.53	37.89	46.18	44.98
	Net Margin (%)	6.66	7.04	8.15	8.94	7.92
	Earnings per Share (NT\$)	3.55	3.22	3.02	3.70	3.51
Cash Flow	Cash Flow Ratio (%)	10.82	6.92	86.84	40.37	7.77
	Cash Flow Adequacy Ratio (%)	96.45	80.35	90.47	89.88	60.28
	Cash Flow Reinvestment Ratio (%)	0.11	(2.30)	13.08	5.46	(2.18)
Leverage	Operating Leverage	3.00	2.85	3.30	2.72	3.22
	Financial Leverage	1.07	1.05	1.02	1.02	1.02

Note: As of the date of this annual report, CPA-audited or reviewed financial information of the latest period is not available; therefore, it is not disclosed.

Explanations for ratios varying by over 20% from 2020 to 2021 are as follows:

A. Financial structure

- Increases in Debt Ratio and Long-term Fund to Property, Plant and Equipment Ratio: Primarily due to the issuance of overseas unsecured convertible bonds, which led to an increase in non-current liabilities compared to 2020.

B. Liquidity Analysis

- Increase in Current Ratio: Primarily due to an inflow of funds from the issuance of overseas unsecured convertible bonds, which led to an increase in current assets compared to 2020.

C. Operating Performance

- Decrease in Inventory Turnover (Times): Primarily due to a surge in inventory level because of the peak season and pandemic, which led to an increase in net inventories compared to 2020.

D. Cash Flow

- Decreases in all three cash flow ratios: Primarily due to a decrease in net cash generated by operating activities as a result of the increased inventory level compared to 2020.

(2) Financial Analysis (Parent Company Only)

Item		Year	Financial Analysis from 2017 to 2021				
			2017	2018	2019	2020	2021
Financial Structure %	Debt Ratio		28.08	36.37	32.73	31.29	42.28
	Long-term Fund to Property, Plant and Equipment Ratio		373.00	368.63	394.49	386.16	500.70
Liquidity Analysis %	Current Ratio		225.72	185.37	264.66	227.62	266.97
	Quick Ratio		191.83	160.87	232.91	189.35	218.48
	Times Interest Earned		5,283	5,063	4,674	6,072	5,254
Operating Performance	Average Collection Turnover (Times)		4.12	2.80	2.34	2.74	2.63
	Days Sales Outstanding		88	130	155	133	138
	Inventory Turnover (Times)		9.24	7.39	7.02	7.56	5.49
	Average Payment Turnover (Times)		3.92	3.61	4.27	5.16	4.56
	Average Inventory Turnover Days		40	49	52	48	66
	Property, Plant and Equipment Turnover (Times)		3.71	3.66	3.19	3.40	3.52
	Total Assets Turnover (Times)		0.76	0.71	0.62	0.69	0.63
Profitability	Return on Total Assets (%)		7.72	6.44	5.80	7.25	6.15
	Return on Equity (%)		10.65	9.34	8.69	10.51	9.65
	Net Income before Income Tax to Paid-in Capital Ratio (%)		43.26	41.65	37.42	43.74	43.16
	Net Margin (%)		9.94	8.80	9.11	10.31	9.57
	Earnings per Share (NT\$)		3.55	3.22	3.02	3.70	3.51
Cash Flow	Cash Flow Ratio (%)		(2.36)	(6.83)	64.22	45.29	12.19
	Cash Flow Adequacy Ratio (%)		94.56	81.38	79.67	78.80	47.24
	Cash Flow Reinvestment Ratio (%)		(4.98)	(7.86)	7.48	5.27	(1.58)
Leverage	Operating Leverage		2.72	2.30	2.35	2.48	2.94
	Financial Leverage		1.02	1.01	1.01	1.01	1.02

Note: As of the date of this annual report, CPA-audited or reviewed financial information of the latest period is not available; therefore, it is not disclosed.

Explanations for ratios varying by over 20% from 2020 to 2021 are as follows:

A. Financial structure

- Increases in Debt Ratio and Long-term Fund to Property, Plant and Equipment Ratio: Primarily due to the issuance of overseas unsecured convertible bonds, which led to an increase in non-current liabilities compared to 2020.

B. Operating Performance

- Decrease in Inventory Turnover (Times): Primarily due to a surge in inventory level because of the peak season and pandemic, which led to an increase in net inventories compared to 2020.

C. Cash Flow

- Decreases in all three cash flow ratios: Primarily due to a decrease in net cash generated by operating activities as a result of the increased inventory level compared to 2020.

Financial Analysis is based on the following formulas:

- A. Financial Structure
 - (a) Debt Ratio = Total Liabilities / Total Assets
 - (b) Long-term Fund to Property, Plant and Equipment Ratio = (Equity + Non-current Liabilities) / Net Property, Plant and Equipment
- B. Liquidity Analysis
 - (a) Current Ratio = Current Assets / Current Liabilities
 - (b) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
 - (c) Times Interest Earned = Income before Interest and Taxes / Interest Expenses
- C. Operating Performance
 - (a) Average Collection Turnover = Net Revenue / Average Trade Receivables (includes accounts receivable and notes receivable from operations)
 - (b) Days Sales Outstanding = 365 / Average Collection Turnover
 - (c) Inventory Turnover = Cost of Revenue / Average Inventory
 - (d) Average Payment Turnover = Cost of Revenue / Average Trade Payables (includes accounts payable and notes payable from operations)
 - (e) Average Inventory Turnover Days = 365 / Inventory Turnover
 - (f) Property, Plant and Equipment Turnover = Net Revenue / Average Net Property, Plant and Equipment
 - (g) Total Assets Turnover = Net Revenue / Average Total Assets
- D. Profitability Analysis
 - (a) Return on Total Assets = (Net Income (Loss) + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
 - (b) Return on Equity = Net Income (Loss) / Average Equity
 - (c) Net Margin = Net Income (Loss) / Net Revenue
 - (d) Earnings Per Share = (Net income - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
 - (e) Earnings Per Share = (Net income attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
- E. Cash Flow
 - (a) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
 - (b) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
 - (c) Cash Flow Reinvestment Ratio = (Net Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-current Assets + Working Capital)
- F. Leverage
 - (a) Operating Leverage = (Net Revenue - Variable Cost) / Operating Income
 - (b) Financial Leverage = Operating Income / (Operating Income - Interest Expenses)

3. Audit Committee's Review Report for 2021

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 business report, consolidated and parent company only financial statements and earnings distribution proposal. The consolidated and parent company only financial statements were audited by independent auditors, Fang-Wen Li and Jheng-Chu Chen, of Ernst & Young with independent auditors' reports issued.

The above-mentioned business report, consolidated and parent company only financial statements, and earnings distribution proposal have been reviewed and determined to be accurate by the Audit Committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Taiflex Scientific Co., Ltd.

Convener of the Audit Committee: Wen-I Lo

February 23, 2022

4. Audited Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020

Please refer to page 146 to 225.

5. Audited Parent Company Only Financial Statements for the Years Ended December 31, 2021 and 2020

Please refer to page 226 to 303.

6. Financial Difficulties Experienced by the Company and Its Affiliates in the Most Recent Year and as of the Date of this Annual Report, and Their Impact on the Company's Financial Position

The Company and its affiliates did not incur any financial or cash flow difficulties in 2021 and as of March 28, 2022.

VII. Review and Analysis of Financial Position and Performance and Associated Risks

1. Financial Position

(1) Reasons and Impact of Significant Changes in Asset, Liability and Equity

(In Thousands of New Taiwan Dollars)

Item \ Year	2021	2020	Difference	
			Increase (Decrease)	%
Current Assets	9,556,959	7,581,801	1,975,158	26.05
Financial Assets at Fair Value through Profit or Loss - Non-current	372,637	0	372,637	100.00
Investments Accounted for under the Equity Method	41,046	40,984	62	0.15
Property, Plant and Equipment	3,360,247	3,176,745	183,502	5.78
Intangible Assets	162,379	124,053	38,326	30.89
Right-of-use Assets	371,103	380,857	(9,754)	(2.56)
Other Non-current Assets	210,509	227,475	(16,966)	(7.46)
Total Assets	14,074,880	11,531,915	2,542,965	22.05
Current Liabilities	2,934,832	2,806,472	128,360	4.57
Non-current Liabilities	3,226,655	1,147,507	2,079,148	181.19
Total Liabilities	6,161,487	3,953,979	2,207,508	55.83
Total Capital	2,091,197	2,091,197	0	0.00
Capital Surplus	1,145,766	1,066,147	79,619	7.47
Retained Earnings	4,764,329	4,536,819	227,510	5.01
Other Components of Equity	(235,996)	(234,299)	1,697	0.72
Non-controlling Interests	148,097	118,072	30,025	25.43
Total equity	7,913,393	7,577,936	335,457	4.43
Significant variance:				
A. The increase in Current Assets was mainly caused by the issuance of overseas unsecured convertible bonds which led to an increase in cash and inventory level.				
B. The increase in Intangible Assets was mainly caused by the purchase of computer software.				
C. The increase in Non-current Liabilities was mainly due to the increases in long-term loans and the issuance of overseas unsecured convertible bonds.				
D. The increase in Non-controlling Interests was mainly caused by long-term investments.				

2. Financial Performance

(1) Reasons for Significant Changes in Revenue, Operating Income and Income before Income Tax:

(In Thousands of New Taiwan Dollars)

Item \ Year	2021	2020	Difference	
			Increase (Decrease)	%
Net Revenue	9,405,002	8,766,318	638,684	7.29
Cost of Revenue	7,206,359	6,687,745	518,614	7.75
Gross Profit, Net	2,198,643	2,078,573	120,070	5.78
Operating Expenses	1,249,835	1,035,688	214,147	20.68
Operating Income	948,808	1,042,885	(94,077)	(9.02)
Non-operating Income and Expenses	(7,994)	(77,088)	69,094	89.63
Income before Income Tax	940,814	965,797	(24,983)	(2.59)
Less: Income Tax Expense	195,952	181,444	14,508	8.00
Net Income	744,862	784,353	(39,491)	(5.03)
Significant variance:				
A. The increase in Operating Expense was mainly due to the increases in sales and marketing expenses as well as general and administrative expenses as a result of supply chain inefficiency because of the pandemic.				
B. The decrease in Non-operating Income and Expenses was mostly from an increase in net exchange gain and a decrease in loss from disposal of fixed assets.				

(2) Expected Sales Volume in 2022 with Basis, Its Impact on the Company's Finance and Business and Action Plans:

Based on the growth of end market, competition in the industry, capacity planning of customers, advancement in technology, and overall strategic planning, the Company expects that although the growth from market demand is uncertain in 2022, we would continue to increase our market share with complete product lines, reputable quality products and cost competitiveness, driving up the sales volume of electronic materials.

(3) Industry-specific Key Performance Indicator (KPI):

KPIs can be set for finance, customer relation, process, and organizational growth and education aspects. Based on those four aspects, KPIs are developed in accordance with the Company's philosophy and strategies.

Finance KPIs of the Company include debt ratio, operating cycle (days sales outstanding + days inventory outstanding - days payable outstanding), property, plant and equipment turnover, return on equity and net margin. In addition to periodic review of finance KPIs, there are non-finance KPIs in place, such as market shares, yields, sales percentage of major customers, productivity of employees, achievement rates of R&D projects, and achievement rates of supply chain management costs. The Company monitors peer competitions and comprehends the dynamics of industry through excellent data analysis.

3. Cash Flows

(1) Variance Analysis of Cash Flows in 2021:

(In Thousands of New Taiwan Dollars)

Cash, Beginning of Year	Net Cash Provided by Operating Activities	Net Increase in Cash	Cash, End of Year	Remedies for Cash Shortage	
				Investment Plans	Financing Plans
1,793,632	228,233	1,476,769	3,270,401	-	-
Analysis of variance:					
A. Net cash generated by operating activities: Mainly due to the cash collections of accounts receivable.					
B. Net cash used in investing activities: Mainly due to an increase in marketable securities investments.					
C. Net cash generated by financing activities: Mainly due to the issuance of overseas convertible bonds and an increase in loans.					

(2) Improvement plans for liquidity shortfall: None.

(3) Liquidity Analysis for 2022:

Cash, Beginning of Year	Net Cash Provided by Operating Activities	Net Increase in Cash	Cash, End of Year	Remedies for Cash Shortage	
				Investment Plans	Financing Plans
3,270,401	1,156,236	(1,231,007)	2,039,394	-	-
Analysis: We do not expect any cash shortage in 2022.					

4. Major Capital Expenditures in the Most Recent Year and Their Impacts on the Company's Finance and Operation

On the consolidated basis, the Company paid NT\$529 million for the acquisition of equipment in 2021. Capital expenditures were mostly paid with cash generated from operations and had no significant impact on the Company's finance and business.

5. Reinvestment Policies in the Most Recent Year, Main Reasons for Investment Gains or Losses, Improvement Plans, and Investment Plans of the Next Year

The Company's reinvestment policies stress the importance of operation strategy and industry trends for long-term investment. There were gains on investments under equity method in the consolidated financial statements for the year ended December 31, 2021 as investees made profits. In the future, we will focus on strategic investments in relation to our core business and prudently review future reinvestment plans based on operational demands and development strategy.

6. Risks:

- (1) Impacts of fluctuations in interest rates and foreign exchange rates and inflation on the Company's profitability and associated action plans

- A. Impacts of interest rate fluctuations in 2021 on the Company's profitability and associated action plans:

(In Thousands of New Taiwan Dollars)

Item	2021
Net Interest Income (Expense) (1)	(15,428)
Net Revenue (2)	9,405,002
Operating Income (3)	948,808
(1)/(2)	(0.16%)
(1)/(3)	(1.63%)

The Company incurred interest expense of NT\$15,428 thousand in 2021, which was 0.16% and 1.63% of revenue and operating income in 2021, respectively. The increase in percentages compared to 2020 was caused by an increase in short-term working capital to maintain a higher inventory level in response to the supply chain risk. However, the ratio was relatively low and the impact was limited. 1% increase in the market interest rate would increase the Company's annual interest expense by NT\$19,470 thousand. To hedge the interest rate risk, the Company adopts the following measures:

- (a) To establish a sound financial structure: The Company would increase capital by cash to meet the demands from operation and funding in order to reduce its dependency on bank financing.
- (b) To increase the means for financing: The Company would assess the possibility of issuing domestic and overseas convertible corporate bonds to increase direct financing and reduce the cost of funds.
- (c) To use banking facilities flexibly: The Company would review banks' lending rates periodically and increase the transaction volume with banks in order to obtain a better borrowing rate than the market average.
- B. Impacts of foreign exchange rate fluctuations in 2021 on the Company's profitability and associated action plans:

(In Thousands of New Taiwan Dollars)

Item	2021
Net Foreign Exchange Gain (Loss) (1)	(1,047)
Net Revenue (2)	9,405,002
Operating Income (3)	948,808
(1)/(2)	(0.01%)
(1)/(3)	(0.11%)

Foreign exchange loss amounted to NT\$1,047 thousand in 2021, which was 0.01% and 0.11% of revenue and operating income in 2021, respectively. Relatively small currency fluctuation in 2021 and hedging transactions carried out by the Company to balance the risk exposure effectively mitigated the impact of exchange rate movements.

The Company's revenue is mainly denominated in U.S. dollars and RMB and purchases of raw materials are mostly denominated in U.S. dollars. As foreign-currency revenues are greater than foreign-currency purchases, the Company has a net foreign-currency

asset position and the exchange rate risk cannot be fully covered by a natural hedge. Thus, exchange rates fluctuations in U.S. dollars and RMB would affect the Company's revenue and profits. The Company would keep a close watch on the exchange rates and carry out the following actions:

- (a) In addition to natural hedging from sales and purchases, the Finance & Accounting Division would take into account the exchange market data and future movement of the currencies before entering forward exchange contracts to mitigate foreign currency risk.
- (b) The Company would work with its main banks to monitor the exchange rates and provide relevant data for management to take appropriate actions and as a reference for price quotes.

C. Impacts of inflation on the Company's profitability and associated action plans:

The domestic inflation rate is within a reasonable range and the prices of our raw materials are stable. Thus, short-term inflation does not have a significant impact on the Company's profitability. In addition, we expand our list of qualified suppliers both at home and abroad to reduce the risk of increasing cost from inflation through supplier diversification.

(2) The policies, main causes of gain or loss and action plans with respect to high-risk, highly-leveraged investment, lending funds to other parties, endorsement and guarantee and derivative trading:

- A. In 2021 and as of the date of this annual report, the Company did not engage in high-risk, high-leveraged investments. Lending between the Company and its subsidiaries is proceeded in accordance with "Procedures for Lending Funds to Other Parties". Endorsement and guarantees provided by the Company are for 100%-owned investees to receive credit lines and are processed in accordance with "Procedures for Endorsement and Guarantee".
- B. The Company engages in derivative trading mainly to hedge its currency exposure from foreign-currency assets and liabilities by utilizing forward contracts. Transactions are conducted in accordance with "Procedures for Acquisition or Disposal of Assets".

(3) Future Research and Development Plans and Estimated Expenses:

A. Future research and development plans:

- (a) Product research and development for electronic materials: Having modified polyimide core technology used for Sub-6 frequency as the foundation, we will move towards existing FPC applications through collaboration with downstream customers. We will also develop materials for high-frequency feedline.
 - (i) High-frequency single/double-sided FPC and bonding sheet: The objective is to develop polyimide and bonding sheet with low-df and moisture absorption rate. They will be used in the antenna boards and build-up boards of mobile transmission interface under 5G system to lower transmission loss and interference, and control characteristic impedance.
 - (ii) Single/double-sided FPC with LCP-based FCCL and Fluoro-based material FCCL for high-frequency / thick insulation layer mm-wave.

- (iii) Anti-ion migration coverlay: The product is developed to meet the future demand for compact and fine-pitch products, and avoid losses due to ion migration. It passes the long-term reliability test (85/85, 1000 hours) with 25/25 fine circuit. (CL for fine circuits)
 - (iv) Ultra-thin white reflective coverlay: In response to thinner backlight modules, we develop ultra-thin white reflective coverlay with no PI film. The product is 30% thinner than the original white coverlay while still maintaining a reflectance above 85%.
 - (v) Development of 2-layer single/double-sided FPC for fine circuits: Applying the existing coating and pressing techniques, self-made TPI formula adjustment and copper from suppliers to develop fine-pitch FCCL.
 - (vi) In-house development of casting type LCP FCCL to be used in feed-line and materials for antenna boards.
 - (vii) Application of high-frequency CCL in the development of 77GHz/79GHz fluoro-based materials with low insertion loss.
- (b) Product research and development for semiconductor: We will extend the models and possibilities of polyimide applications based on existing polyimide synthesis core technology through industry-academic collaboration and cooperation with downstream customers. The current FPC applications are extended to advanced packaging process applications. At present, the key materials for semiconductor packaging are provided by large raw material suppliers in U.S. or Japan, whereas Taiwanese companies have not invested in the research and development of this field. This R&D plan can build a local supply chain for the semiconductor industry in Taiwan.

We carry out research and development on polymer materials which can endure 350°C without degradation and are amenable to laser debonding. As the packaging industry caters to the compact mobile device market and integrates more functions in IC packaging, it needs materials which can endure high temperature and are amenable to temporary bonding as relevant processes involved are conducted in temperature above 300°C with complicated steps. Through formula design, we can add laser debonding function to our existing polyimide resin and provide a temporary bonding solution which withstands high temperature and allows laser bonding.

- (c) Research and development of display products: Based on our core technology in PI synthesis, we develop colorless PI varnish and amber PI varnish for new flexible display panels to replace the traditional glass substrates. Our goal is to develop products which can sustain high-temperature manufacturing process and possess excellent optical features. We also cooperate with reputable global transparent PI companies in the development of transparent PI display cover lens using our high-precision coating technology in hope to get a head start on the promising foldable display market.

B. Estimated expenses:

The Company would continue its efforts in research and development. The R&D expense is expected to be NT\$339,460 thousand in 2022, which is estimated to be 3.0% to 3.7% of the 2022 revenue.

- (4) Impacts of Changes in Major Domestic and Overseas Policies and Regulations on Company's Finance and Business and Associated Action Plans:

Impacts of changes in major policies and regulations on the Company's finance and business were minimal in 2021. Asia region is the Company's major market and the percentage of sales in China remains relatively high. The Company has established plants at Nantong and planned to set up a subsidiary in Thailand to capture timely market information and adapt to future changes in policies and regulations to minimize adverse impacts on the Company.

- (5) Impacts of Changes in Technology (including cyber security risk) and Industry on Company's Finance and Business and Associated Action Plans:

The rapid decline in the prices of electronic consumables due to short lifespans and price competitions from peers had significant impacts on the Company's gross margin. Therefore, the Company would timely adjust the directions of product developments and apply the core technology of precision coating in other industry to provide the most trustworthy advanced FPC materials, innovative applications and integrated services for sustainable growth.

- (6) Impacts of Changes in Corporate Image on Corporate Risk Management and Associated Action Plans:

With excellent performance and a positive corporate image, the impacts of changes in corporate image on the Company's risk management were minimal.

- (7) Expected Benefits and Risks Relating to Merger and Acquisition and Associated Action Plans:

The Company has no plans to merge or acquire other companies in the near future.

- (8) Expected Benefits and Risks Relating to Plant Expansion and Associated Action Plans:

Plant expansion increases our production capacity and the room to take on more orders, which benefit our revenue and profitability and strengthen our position in the industry. Moreover, once we reach economies of scale, product costs can be reduced significantly. However, electronic consumables have short lifespans and market demands often change considerably. When market faces downturn, capacity would turn idle and depreciation expenses of those plant equipment would weigh heavily on the Company's profitability. Therefore, we thoroughly review our capital expenditure plans by considering the industry growth and actual orders from customers in order to optimize the use of our capital.

- (9) Risks of Concentrated Sources of Sales or Purchases and Associated Action Plans:

Sales of the Company are not concentrated on certain customers. Purchases of critical raw materials, such as copper-clad and PI, are concentrated on certain foreign vendors mainly due to quality control and customer specification. However, the Company maintains good relationships with other vendors providing similar components to ensure competitive purchase prices and adequate supplies and minimize the risk of single-source supplier. Overall, the Company has a good relationship with suppliers. The quality and delivery time of materials have been normal and there has been no shortage or delay in supply of materials.

- (10) Impact and Risk of Sale or Transfer of Significant Number of Shares by the Directors, Supervisors or Shareholders with Over 10% of Shareholding and Associated Action Plans:

There was no sale or transfer of significant number of shares by the Directors, Supervisors and shareholders with over 10% of shareholding in 2021.

- (11) Impact and Risk of Change in Management and Associated Action Plans:

The major shareholders and Directors of the Company maintain steady ownership and there is no foreseeable plan to change the management.

(12) For Major Litigations, Non-litigations, or Administrative Disputes which Involve the Company, Directors, Supervisors, President, De Facto Responsible Person, Major Shareholders with Over 10% of Shareholding and Affiliates and Have Significant Impacts on the Interests of Shareholders or Share Prices, the Facts, Amount in Dispute, Commencement Date, Major Parties Involved, and the Status as of the Date of This Annual Report Shall be Disclosed: None.

(13) Other Significant Risks and Associated Action Plans: None.

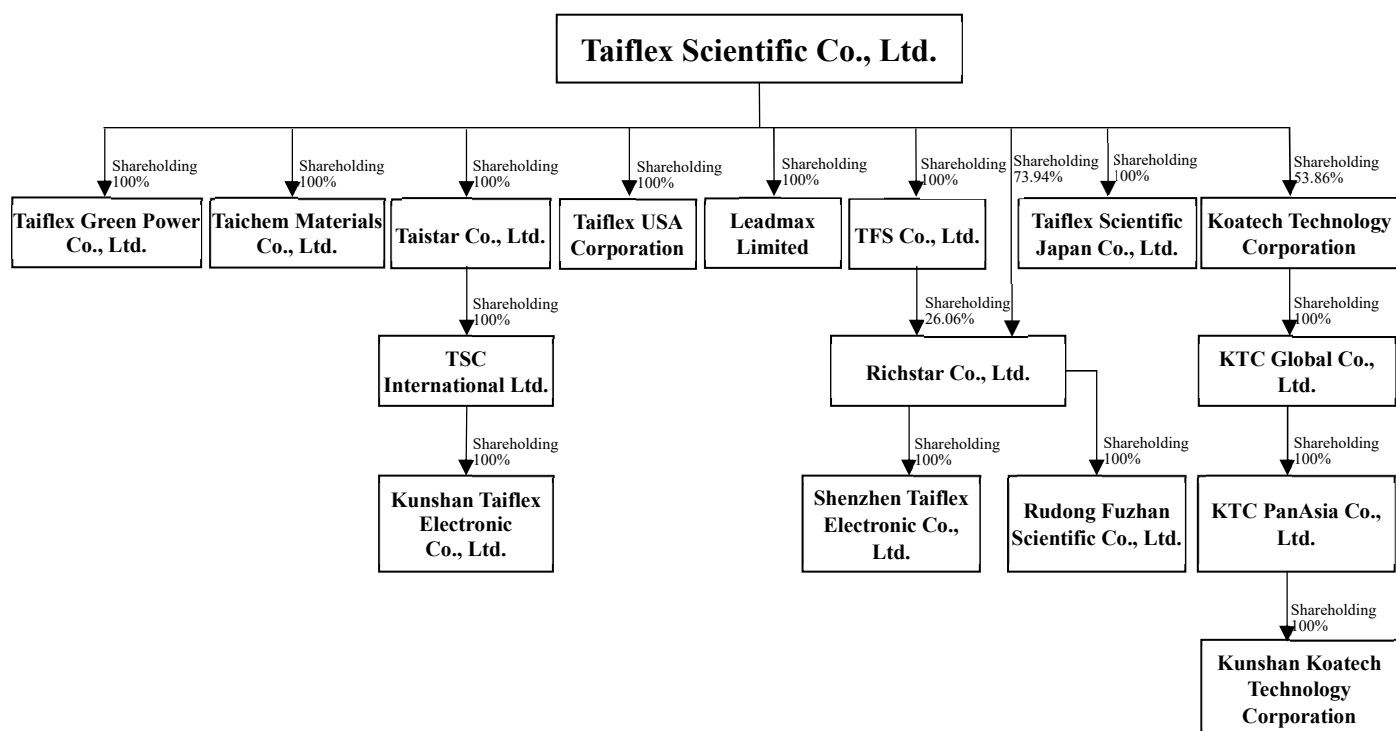
7. Other Significant Matters: None.

VIII. Special Notes

1. Affiliates

(1) Consolidated Business Report of the Affiliates

A. Chart of affiliates (as of December 31, 2021)



B. Basic information on affiliates

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Name	Date of Incorporation	Address	Paid-in Capital	Main Business / Products
Taistar Co., Ltd.	2001.03	60 Market Square, PO Box 364, Belize City, Belize	704,536	Investment holding company
TSC International Ltd.	2005.02	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KYI-1205, Cayman Islands	683,946	Investment holding company
Kunshan Taiflex Electronic Co., Ltd.	2004.05	Room 321-3, No. 6 Leshan Road, Yushan Township, Kunshan City, Jiangsu Province, China	767,141	Selling of chemical products, electronic materials and electronic components
TFS Co., Ltd.	2013.09	Ground Floor 3½ Miles Philip S.W. Goldson Highway, Belize City, Belize	478,797	Investment holding company
Richstar Co., Ltd.	2013.09	Ground Floor NPF Building, Beach Road, Apia, Samoa	1,794,802	Investment holding company
Shenzhen Taiflex Electronic Co., Ltd.	2015.05	Unit 906, 9th floor, Building B, ZhongHengCheng High-tech Industrial Park, No. 3, Xinyu Road, Xiangshan Community, Shajing Sub-district, Baoan District, Shenzhen City, Guangdong Province, China	479,160	Trading of coating materials for high polymer film and copper foil
Rudong Fuzhan Scientific Co., Ltd.	2018.01	No. 88, Jinshan Rd., High-Tech Industrial Development Zone, Rudong County, Nantong City, Jiangsu Province, China	1,316,239	Manufacturing and selling of electronic materials
Leadmax Limited	2005.05	Ground Floor NPF Building, Beach Road, Apia, Samoa	337	Trading of electronic materials
Taiflex Scientific Japan Co., Ltd.	2016.01	9th floor Sotetsu KS Building, 1-11-5 Kitasaiwai, Nishi-ku, Yokohama 220-0004, Japan	16,260	Trading and technical support of electronic materials
Taiflex USA Corporation	2018.01	2033 Gateway Place, Suite 500, San Jose, CA 95110, USA	8,820	Technical support and marketing of electronic materials
Taichem Materials Co., Ltd.	2020.09	4F., No.8, South 3Rd., Kaohsiung City 806011, Taiwan, R.O.C.	170,000	Manufacturing and selling of semiconductor materials
Taiflex Green Power Co., Ltd. (Note)	2021.03	No.1, Huanqu 3rd Rd., Qianzhen Dist., Kaohsiung City 806011, Taiwan, R.O.C.	20,000	Generation and selling of electricity from renewables
Koatech Technology Corporation	2006.06	No.79, Guangfu Rd., Hsinchu Industrial Park, Hukou Township, Hsinchu County, Taiwan	254,380	Manufacturing and selling of electronic materials and components
KTC Global Co., Ltd.	2013.03	Offshore Chambers, P.O. Box 217, Apia, Samoa	28,649	Investment holding company
KTC PanAsia Co., Ltd.	2013.03	Offshore Chambers, P.O. Box 217, Apia, Samoa	28,500	Investment holding company
Kunshan Koatech Technology Corporation	2014.06	Room 321-2, No. 6 Leshan Road, Yushan Township, Kunshan City, Jiangsu Province, China	28,351	A wholesaler and a commission agent of electronic materials and components

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

- C. Shareholders in common of Taiflex and its affiliates with deemed control and subordination: None.
- D. Industries in which the affiliates operate: Electronic manufacturing industry.
- E. Names and shareholding or capital contribution of the Directors, Supervisors and Presidents of the Affiliates:

As of December 31, 2021

(In Shares; %)

Company	Title	Name or Representative	Shareholding	
			Shares	%
Taistar Co., Ltd.	Chairperson	Taiflex Scientific Co., Ltd. Representative: Ta-Wen Sun	21,825,000	100.00
TSC International Ltd.	Chairperson	Taistar Co., Ltd. Representative: Ta-Wen Sun	21,170,000	100.00
Kunshan Taiflex Electronic Co., Ltd.	Chairperson	TSC International Ltd. Representative: Zong-Han Jiang	(Note 2)	100.00
	Director & President	TSC International Ltd. Representative: Sheng-Xu Yang		
	Director	TSC International Ltd. Representative: Yu-Han Huang		
	Supervisor	TSC International Ltd. Representative: Chi-Yuan Pan		
TFS Co., Ltd.	Chairperson	Taiflex Scientific Co., Ltd. Representative: Ta-Wen Sun	15,520,000	100.00
Richstar Co., Ltd.	Chairperson	Taiflex Scientific Co., Ltd. Representative: Ta-Wen Sun	44,000,000	73.94
		TFS Co., Ltd. Representative: Ta-Wen Sun	15,510,000	26.06
Shenzhen Taiflex Electronic Co., Ltd.	Chairperson	Richstar Co., Ltd. Representative: Zong-Han Jiang	(Note 2)	100.00
	Director & President	Richstar Co., Ltd. Representative: Jiang-Yun Yang		
	Director	Richstar Co., Ltd. Representative: Yu-Han Huang		
	Supervisor	Richstar Co., Ltd. Representative: Chi-Yuan Pan		
Rudong Fuzhan Scientific Co., Ltd.	Chairperson	Richstar Co., Ltd. Representative: Yao-Chun Ting	(Note 2)	100.00
	Director	Richstar Co., Ltd. Representative: Ta-Wen Sun		
	Director	Richstar Co., Ltd. Representative: Zong-Han Jiang		
	President	Chong-Chen Liu		
	Supervisor	Richstar Co., Ltd. Representative: Chi-Yuan Pan		
Leadmax Limited	Chairperson	Taiflex Scientific Co., Ltd. Representative: Ta-Wen Sun	10,000	100.00
Taiflex Scientific Japan Co., Ltd.	Chairperson	Taiflex Scientific Co., Ltd. Representative: Zong-Han Jiang	6,000	100.00

Company	Title	Name or Representative	Shareholding	
			Shares	%
Taiflex USA Corporation	Chairperson	Taiflex Scientific Co., Ltd. Representative: Zong-Han Jiang	1,000	100.00
Taichem Materials Co., Ltd.	Chairperson	Taiflex Scientific Co., Ltd. Representative: Ta-Wen Sun	17,000,000	100.00
	Director & President	Taiflex Scientific Co., Ltd. Representative: Fang-I Hsieh		
	Director	Taiflex Scientific Co., Ltd. Representative: Chein-Ming Hsu		
	Director	Taiflex Scientific Co., Ltd. Representative: Zong-Han Jiang		
	Director	Taiflex Scientific Co., Ltd. Representative: Jiang-Zhi Zhao		
	Supervisor	Taiflex Scientific Co., Ltd. Representative: Chi-Yuan Pan		
Taiflex Green Power Co., Ltd. (Note 1)	Chairperson	Taiflex Scientific Co., Ltd. Representative: Ta-Wen Sun	2,000,000	100.00
	Director	Taiflex Scientific Co., Ltd. Representative: Chein-Ming Hsu		
	Director & President	Taiflex Scientific Co., Ltd. Representative: Zhen Lin		
	Supervisor	Taiflex Scientific Co., Ltd. Representative: Mei-Hsien Su		
Koatech Technology Corporation	Chairperson	Taiflex Scientific Co., Ltd. Representative: Zhi-Ming Yen	13,700,126	53.86
	Director	Taiflex Scientific Co., Ltd. Representative: Fu-Le Lin		
	Director	Taiflex Scientific Co., Ltd. Representative: Jiang-Zhi Zhao		
	Director	Taiflex Scientific Co., Ltd. Representative: Zong-Ru Shen		
	Director and President	Taiflex Scientific Co., Ltd. Representative: Jin-Cheng Zhang	-	-
	Supervisor	Qi-Yuan Pan	-	-
	Supervisor	Mei-Xian Su	-	-
KTC Global Co., Ltd.	Chairperson	Koatech Technology Corporation Representative: Fu-Le Lin	960,000	100.00
KTC PanAsia Co., Ltd.	Chairperson	KTC Global Co., Ltd. Representative: Fu-Le Lin	955,000	100.00
Kunshan Koatech Technology Corporation	Chairperson	KTC PanAsia Co., Ltd. Representative: Hao Li	(Note 2)	100.00

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

Note 2: Those limited companies do not issue shares.

F. Operational highlights of Affiliates:

As of December 31, 2021

(In Thousands of New Taiwan Dollars)

Company	Capital	Total Assets	Total Liabilities	Net Worth	Net Revenue	Operating Income (Loss)	Net Income (Loss)	Earnings per Share After-tax (NT\$)
Taistar Co., Ltd.	704,536	818,379	0	818,379	0	(1,337)	32,491	1.49
TSC International Ltd.	683,946	785,528	0	785,528	0	0	33,822	1.60
Kunshan Taiflex Electronic Co., Ltd.	767,141	1,226,329	440,866	785,463	751,043	15,069	33,822	N/A
TFS Co., Ltd.	478,797	530,917	0	530,917	0	0	22,333	1.44
Richstar Co., Ltd.	1,794,802	2,036,819	0	2,036,819	0	(2)	79,646	1.34
Shenzhen Taiflex Electronic Co., Ltd.	479,160	2,449,014	1,759,844	689,170	2,698,279	88,566	62,312	N/A
Rudong Fuzhan Scientific Co., Ltd.	1,316,239	2,014,490	666,898	1,347,592	1,440,196	30,126	17,336	N/A
Leadmax Limited	337	585	0	585	0	0	0	0.00
Taiflex Scientific Japan Co., Ltd.	16,260	16,436	612	15,824	5,314	266	247	41.17
Taiflex USA Corporation	8,820	9,504	558	8,946	11,103	806	376	376.00
Taichem Materials Co., Ltd.	170,000	340,267	108,795	231,472	85,821	(9,987)	(9,944)	(0.62)
Taiflex Green Power Co., Ltd. (Note 3)	20,000	20,594	670	19,924	0	(78)	(76)	(0.04)
Koatech Technology Corporation	304,380	545,241	220,666	324,575	339,785	16,635	21,562	0.85
KTC Global Co., Ltd.	28,649	18,290	0	18,290	0	0	588	0.61
KTC PanAsia Co., Ltd.	28,500	18,277	0	18,277	0	0	588	0.62
Kunshan Koatech Technology Corporation	28,351	84,098	65,833	18,265	53,137	573	588	N/A

Note 1: For foreign companies, the capitals are converted into New Taiwan Dollars at the historical exchange rates.

Note 2: For foreign companies, the assets and liabilities are converted into New Taiwan Dollars at the exchange rates as of the reporting date. Net revenue, operating income (loss), net income (loss) and earnings per share are converted into New Taiwan Dollars at the average exchange rates of the year.

Note 3: The Company established Taiflex Green Power and acquired 100% of the company on March 26, 2021.

(2) Consolidated Financial Statements of Affiliates:

The entities that are required to be included in the consolidated financial statements of affiliates are identical to those included in the consolidated financial statements. Thus, both statements are the same. Please refer to page 146 to 225.

(3) Affiliation Reports: Not applicable

2. Private Placement of Securities in the Most Recent Year and as of the Date of this Annual Report: None.

3. The Company's Shares Held or Disposed of by Subsidiaries in the Most Recent Year and as of the Date of this Annual Report: None.

4. Other Necessary Supplement: None.

IX. Any Events in 2021 and as of the Date of this Annual Report that had Significant Impacts on Shareholders' Right or Security Prices as Stated in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act: None.

Representation Letter

The entities that are required to be included in the combined financial statements of Taiflex Scientific Company Limited as of and for the year ended December 31, 2021, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Therefore, Taiflex Scientific Company Limited does not prepare a separate set of combined financial statements.

Very truly yours,

Taiflex Scientific Company Limited

By

Ta-Wen Sun

Chairperson

February 23, 2022

Independent Auditors' Report

To Taiflex Scientific Co., Ltd.

Audit opinion

We have audited the consolidated balance sheets of Taiflex Scientific Co., Ltd. and its subsidiaries (hereinafter referred to as "Taiflex Group") as of December 31, 2021 and 2020; and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to consolidated financial statements (including a summary on significant accounting policies).

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial status of Taiflex Group as of December 31, 2021 and 2020, and its consolidated financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for audit opinion

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

Key audit matters

Key audit matters are ones that were of most significance in our audit of the consolidated financial statements of Taiflex Group for the year ended December 31, 2021 based on our professional judgment. These matters have been covered during the audit of the overall consolidated financial statements and in forming the audit opinion. We will not express a separate opinion on these matters. Key audit matters to be communicated on the independent auditors' report are stated as follows:

1. Impairment of receivables

Net receivables generated from the selling of flexible copper-clad laminate and cover layer amounted to NT\$3,963,359 thousand and accounted for 30% of Taiflex Group's consolidated total assets as of December 31, 2021. Hence, it was considered a material item to the Group. Loss allowance for accounts receivables was measured at an amount equal to lifetime expected credit losses. As the measurement of expected credit losses involved judgment, analysis and estimation and the outcome would affect the net accounts receivables, the impairment of receivables was identified as a key audit matter.

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

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

2. Inventory valuation

As of December 31, 2021, net inventories of flexible copper-clad laminate and cover layer amounted to NT\$1,868,747 thousand; thus, it was a significant item to Taiflex Group. Due to uncertainties arising from rapid changes in product technologies, allowance for inventory obsolescence and valuation losses involved significant judgment of management. Hence, it was considered a key audit item.

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

We have utilized our professional judgment and maintained professional doubt when exercising auditing work according to the auditing standards generally accepted in the Republic of China. We also perform the following tasks:

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

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

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

From the matters communicated with governance bodies, we determine the key audit matters within the audit of Taiflex Group's consolidated financial statements for the year ended December 31, 2021. We have clearly indicated such matters in the independent auditors' report, unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the independent auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Others

Taiflex Scientific Co., Ltd. has also prepared parent company only financial statements for the years ended December 31, 2021 and 2020, which we had audited and issued an unqualified opinion.

Ernst & Young, Taiwan

February 23, 2022

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2021	December 31, 2020
Current assets			
Cash and cash equivalents	4, 6(1)	\$ 3,270,401	\$ 1,793,632
Financial assets at fair value through profit or loss - current	4, 6(2)	27,529	29,832
Financial assets at amortized cost - current	4, 6(3)	276,900	138,719
Notes receivable, net	4, 6(4)	929,304	727,722
Accounts receivable, net	4, 6(5)	3,034,055	3,454,652
Other receivables		50,517	54,596
Inventories, net	4, 6(6)	1,868,747	1,282,343
Prepayments		51,909	77,403
Other current assets	8	47,597	22,902
Total current assets		<u>9,556,959</u>	<u>7,581,801</u>
Non-current assets			
Financial assets at fair value through other comprehensive income - non-current	4, 6(8)	372,637	-
Investments accounted for using the equity method	4, 6(9)	41,046	40,984
Property, plant and equipment	4, 6(10)	3,360,247	3,176,745
Right-of-use assets	4, 6(22)	371,103	380,857
Intangible assets	4, 6(11,13)	162,379	124,053
Deferred income tax assets	4, 6(25)	195,565	200,958
Other non-current assets	4, 6(12)	14,944	26,517
Total non-current assets		<u>4,517,921</u>	<u>3,950,114</u>
Total assets		<u>\$ 14,074,880</u>	<u>\$ 11,531,915</u>

(Continued)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS-(Continued)
December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2021	December 31, 2020
Current liabilities			
Short-term loans	6(14)	\$ 790,000	\$ 150,000
Financial liabilities at fair value through profit or loss - current	4, 6(15)	11,049	11,839
Contract liabilities - current	4, 6(20)	1,853	2,508
Notes payable		369	381
Accounts payable		1,279,303	1,747,887
Other payables		648,844	573,823
Current income tax liabilities	4, 6(25)	133,232	276,047
Lease liabilities - current	4, 6(22)	16,353	16,600
Current portion of long-term loans	6(17)	50,000	25,000
Other current liabilities		3,829	2,387
Total current liabilities		<u>2,934,832</u>	<u>2,806,472</u>
Non-current liabilities			
Bonds payable	6(16)	1,855,472	-
Long-term loans	6(17)	759,720	539,000
Deferred income tax liabilities	4, 6(25)	111,828	89,642
Lease liabilities - non-current	4, 6(22)	250,691	256,652
Net defined benefit liabilities - non-current	4, 6(18)	248,689	261,958
Other non-current liabilities	4, 12	255	255
Total non-current liabilities		<u>3,226,655</u>	<u>1,147,507</u>
Total liabilities		<u>6,161,487</u>	<u>3,953,979</u>
Equity attributable to shareholders of the parent			
Capital	6(19)		
Common stock		2,091,197	2,091,197
Capital surplus	6(19)	1,145,766	1,066,147
Retained earnings			
Legal reserve		1,014,369	939,900
Special reserve		234,299	230,993
Unappropriated earnings		3,515,661	3,365,926
Total retained earnings		<u>4,764,329</u>	<u>4,536,819</u>
Others	4	<u>(235,996)</u>	<u>(234,299)</u>
Total equity attributable to shareholders of the parent		<u>7,765,296</u>	<u>7,459,864</u>
Non-controlling interests	4, 6(19)	<u>148,097</u>	<u>118,072</u>
Total equity		<u>7,913,393</u>	<u>7,577,936</u>
Total liabilities and equity		<u>\$ 14,074,880</u>	<u>\$ 11,531,915</u>

(Concluded)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

	Notes	2021	2020
Operating revenue	4, 6(20)	\$ 9,405,002	\$ 8,766,318
Operating costs	4, 6(6)	<u>(7,206,359)</u>	<u>(6,687,745)</u>
Gross profit		<u>2,198,643</u>	<u>2,078,573</u>
Operating expenses	4, 6(23)		
Sales and marketing expenses		(506,635)	(417,547)
General and administrative expenses		(424,366)	(344,566)
Research and development expenses		(323,220)	(281,360)
Expected credit gains	6(21)	<u>4,386</u>	<u>7,785</u>
Total operating expenses		<u>(1,249,835)</u>	<u>(1,035,688)</u>
Operating income		<u>948,808</u>	<u>1,042,885</u>
Non-operating income and expenses	6(24)		
Interest income		5,370	7,881
Other income		32,329	21,519
Other gains and losses		(16,929)	(69,574)
Finance costs		(20,798)	(20,763)
Share of profit or loss of associates accounted for using the equity method	4, 6(9)	<u>(7,966)</u>	<u>(16,151)</u>
Total non-operating income and expenses		<u>(7,994)</u>	<u>(77,088)</u>
Income from continuing operations before income tax		940,814	965,797
Income tax expense	4, 6(25)	<u>(195,952)</u>	<u>(181,444)</u>
Net income of continuing operations		<u>744,862</u>	<u>784,353</u>
Net income		<u>744,862</u>	<u>784,353</u>
Other comprehensive income (loss)	6(24)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan		19,569	(35,220)
Unrealized losses on investments in equity instruments at fair value through other comprehensive income		(15,622)	-
Income tax related to items that will not be reclassified subsequently		(3,914)	7,044
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		17,486	(4,119)
Income tax related to items that may be reclassified subsequently to profit or loss		<u>(3,497)</u>	<u>824</u>
Total other comprehensive income (loss), net of tax		<u>14,022</u>	<u>(31,471)</u>
Total comprehensive income		<u>\$ 758,884</u>	<u>\$ 752,882</u>
Net income attributable to:	4, 6(26)		
Shareholders of the parent		\$ 734,654	\$ 772,859
Non-controlling interests		<u>10,208</u>	<u>11,494</u>
		<u>\$ 744,862</u>	<u>\$ 784,353</u>
Total comprehensive income (loss) attributable to:			
Shareholders of the parent		\$ 748,612	\$ 741,377
Non-controlling interests		<u>10,272</u>	<u>11,505</u>
		<u>\$ 758,884</u>	<u>\$ 752,882</u>
Earnings per share (NT\$)	4, 6(26)		
Earnings per share - basic		<u>\$ 3.51</u>	<u>\$ 3.70</u>
Earnings per share - diluted		<u>\$ 2.98</u>	<u>\$ 3.67</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 Years Ended December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

Item	Equity Attributable to Shareholders of the Parent									
	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	Total	Non- Controlling Interests	Total Equity
Balance as of January 1, 2020	\$ 2,091,197	\$1,342,759	\$882,821	\$166,117	\$2,994,142	\$ (224,393)	\$ (6,600)	\$ 7,246,043	\$ 106,567	\$ 7,352,610
Appropriation and distribution of 2019 earnings										
Legal reserve			57,079		(57,079)			-		-
Special reserve				64,876	(64,876)			-		-
Cash dividends for common stocks					(250,944)			(250,944)		(250,944)
Changes in other capital surplus										
Adjustments to share of changes in equities of associates		(4,852)						(4,852)		(4,852)
Cash dividends from capital surplus		(271,855)						(271,855)		(271,855)
Changes in other capital surplus		95						95		95
Net income for the year ended December 31, 2020					772,859			772,859	11,494	784,353
Other comprehensive income (loss) for the year ended December 31, 2020					(28,176)	(3,306)		(31,482)	11	(31,471)
Total comprehensive income	-	-	-	-	744,683	(3,306)	-	741,377	11,505	752,882
Balance as of December 31, 2020	<u>\$ 2,091,197</u>	<u>\$1,066,147</u>	<u>\$ 939,900</u>	<u>\$ 230,993</u>	<u>\$ 3,365,926</u>	<u>\$ (227,699)</u>	<u>\$ (6,600)</u>	<u>\$ 7,459,864</u>	<u>\$ 118,072</u>	<u>\$ 7,577,936</u>
Balance as of January 1, 2021	\$ 2,091,197	\$1,066,147	\$ 939,900	\$ 230,993	\$ 3,365,926	\$ (227,699)	\$ (6,600)	\$ 7,459,864	\$ 118,072	\$ 7,577,936
Appropriation and distribution of 2020 earnings										
Legal reserve			74,469		(74,469)			-		-
Special reserve				3,306	(3,306)			-		-
Cash dividends for common stocks					(522,799)			(522,799)		(522,799)
Changes in other capital surplus										
Due to recognition of equity component of convertible bonds - stock options		70,203						70,203		70,203
Adjustments to share of changes in equities of associates		9,416						9,416		9,416
Net income for the year ended December 31, 2021					734,654			734,654	10,208	744,862
Other comprehensive income (loss) for the year ended December 31, 2021					15,655	13,925	(15,622)	13,958	64	14,022
Total comprehensive income	-	-	-	-	750,309	13,925	(15,622)	748,612	10,272	758,884
Non-controlling interests									19,753	19,753
Balance as of December 31, 2021	<u>\$ 2,091,197</u>	<u>\$1,145,766</u>	<u>\$1,014,369</u>	<u>\$ 234,299</u>	<u>\$ 3,515,661</u>	<u>\$ (213,774)</u>	<u>\$ (22,222)</u>	<u>\$ 7,765,296</u>	<u>\$ 148,097</u>	<u>\$ 7,913,393</u>

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Income before income tax	\$ 940,814	\$ 965,797
Adjustments:		
Non-cash income and expense items:		
Depreciation	373,650	314,135
Amortization	23,278	20,454
Expected credit gains	(4,386)	(7,785)
Net loss on financial assets (liabilities) at fair value through profit or loss	12,438	16,767
Interest expense	20,798	20,763
Interest income	(5,370)	(7,881)
Share of loss of associates accounted for using the equity method	7,966	16,151
Loss (gain) on disposal of property, plant and equipment	6,692	(1,133)
Gain on disposal of non-current assets held for sale	-	(32,022)
Impairment loss for non-financial assets	-	24,000
Gain on reversal of impairment loss for non-financial assets	(2,879)	-
Others	49,368	15,875
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets mandatorily at fair value through profit or loss	(15,399)	3,027
(Increase) decrease in notes receivable	(201,582)	20,929
Decrease (increase) in accounts receivable	424,706	(855,338)
Decrease (increase) in other receivables	4,085	(18,488)
Increase in inventories	(636,600)	(359,299)
Decrease in prepayments	15,649	37,872
Increase in other current assets	(2,926)	(194)
Increase in other non-current assets	(660)	(1,384)
(Decrease) increase in contract liabilities	(655)	1,424
(Decrease) increase in notes payable	(12)	23
(Decrease) increase in accounts payable	(468,584)	914,647
Increase in other payables	11,176	86,985
Increase (decrease) in other current liabilities	1,442	(83)
Increase in net defined benefit liabilities	2,386	7,188
Cash generated from operations	<u>555,395</u>	<u>1,182,430</u>
Interest received	5,364	7,877
Interest paid	(13,927)	(16,204)
Income tax paid	(318,599)	(41,040)
Net cash generated by operating activities	<u><u>228,233</u></u>	<u><u>1,133,063</u></u>

(Continued)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)
For the Years Ended December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from investing activities:		
Acquisition of investments in equity instruments at fair value through other comprehensive income – non-current	\$ (388,259)	\$ -
Acquisition of financial assets at amortized cost	(138,181)	(89,719)
Acquisition of investments accounted for using the equity method	-	(12,517)
Disposal of investments accounted for using the equity method	3,000	-
Disposal of non-current assets held for sale	-	473,559
Acquisition of property, plant and equipment	(529,361)	(551,071)
Disposal of property, plant and equipment	2,901	1,277
Increase in refundable deposits	-	(8,723)
Decrease in refundable deposits	11,665	-
Acquisition of intangible assets	(12,101)	(15,773)
Increase in other current assets - other financial assets - current	(21,769)	(50)
Net cash used in investing activities	<u>(1,072,105)</u>	<u>(203,017)</u>
Cash flows from financing activities:		
Increase in short-term loans	640,000	-
Decrease in short-term loans	-	(590,000)
Issuance of corporate bonds	1,945,300	-
Increase in long-term loans	245,720	-
Repayment of long-term loans	-	(370,565)
Decrease in guarantee deposits received	-	(215,774)
Increase in payables	-	95
Repayment of lease principal	(22,461)	(24,029)
Distribution of cash dividends	(522,799)	(522,799)
Changes in non-controlling interests	19,753	-
Net cash generated by (used in) financing activities	<u>2,305,513</u>	<u>(1,723,072)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>15,128</u>	<u>2,137</u>
Net increase (decrease) in cash and cash equivalents	1,476,769	(790,889)
Cash and cash equivalents at beginning of period	1,793,632	2,584,521
Cash and cash equivalents at end of period	<u>\$ 3,270,401</u>	<u>\$ 1,793,632</u>

(Concluded)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021 and 2020

(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 and cover layer. On September 30, 2020, the Company spun off its advanced material operation to set up the wholly-owned subsidiary, Taichem Materials Co., Ltd. The shares of the Company commenced trading on Taipei Exchange on December 19, 2003 and were listed on the Taiwan Stock Exchange 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 years ended December 31, 2021 and 2020 were approved and authorized for issue in the Board of Directors’ meeting on February 23, 2022.

3. Newly Issued or Revised Standards and Interpretations

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

The Group has adopted International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations and SIC interpretations endorsed by the Financial Supervisory Commission (FSC) to take effect for annual periods beginning on January 1, 2021. The first-time adoption does not have any material impact on the Group.

(2) The Group has yet to adopt the following new, revised or amended standards and interpretations issued by International Accounting Standards Board (IASB) and endorsed by FSC:

No.	Projects of New or Amended Standards and Interpretations	Effective Date
IFRS 3, IAS 16 and IAS 37	Narrow-scope Amendments to IFRSs and Annual Improvements	January 1, 2022

A. Narrow-scope Amendments to IFRSs, Including Amendments to IFRS 3, IAS 16 and IAS 37, and Annual Improvements

(a) Updating the reference to the conceptual framework (Amendments to IFRS 3)

The amendments replace the old reference to the conceptual framework of financial reporting and update IFRS 3 with the latest reference published in March 2018. In addition, an exception is added to the recognition principle to avoid the possible “day 2” gains or losses from liabilities and contingent liabilities. The amendments also clarify the existing guidance of contingent assets not affected by the replaced reference to the conceptual framework.

(b) Property, plant and equipment: Proceeds before intended use (Amendments to IAS 16)

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

The amendments ban companies against deducting sales proceeds of items produced while companies are preparing assets for their intended use from the cost of property, plant and equipment. Instead, the proceeds and relevant costs shall be recognized in profit or loss.

(c) Onerous contracts – Cost of fulfilling a contract (Amendments to IAS 37)

The amendments clarify costs to be included when assessing whether a contract is onerous.

(d) Annual improvements to IFRSs 2018-2020 cycle

Amendments to IFRS 1

The amendments simplify the adoption of IFRS 1 concerning measurement of cumulative translation differences for a subsidiary that adopts IFRSs for the first time later than its parent company.

Amendments to IFRS 9 “Financial Instruments”

The amendments clarify fees included when companies assess whether new or amended contract clauses of financial liabilities are significantly different from clauses of the original financial liabilities.

Amendments to illustrative examples of IFRS 16 “Leases”

This is to amend lease incentives associated with leasehold improvement of lessees in illustrative example 13.

Amendments to IAS 41

The amendments remove the requirement to exclude cash flows from taxation when measuring fair value in order for the fair value measurement requirements in IAS 41 to be consistent with relevant requirements in other IFRSs.

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, 2022. The aforementioned standards or interpretations do not have any material impact on the Group.

- (3) As of the date of issuance of the financial statements, the Group has not adopted the following new, revised or amended standards and interpretations issued by IASB but not yet endorsed by FSC:

No.	Projects of New or Amended Standards and Interpretations	Effective Date
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 17	Insurance Contracts	January 1, 2023
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IAS 1	Disclosure Initiative – Accounting Policies	January 1, 2023

(Continued)

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

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

(Concluded)

- 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.

- 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 June 2020. 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, the 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”).

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

C. Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments aim at paragraphs 69 to 76 of IAS 1 “Presentation of Financial Statements” where liabilities are classified as current or non-current.

D. Disclosure Initiative – Accounting Policies (Amendments to IAS 1)

The amendments are to improve accounting policy disclosures so that investors and other primary users of the financial statements can obtain more useful information.

E. Definition of Accounting Estimates (Amendments to IAS 8)

The amendments define accounting estimates and revise IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” to help companies distinguish between a change in an accounting policy and a change in an accounting estimate.

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

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

For the aforementioned standards and interpretations issued by IASB but not yet endorsed by FSC, the effective dates are to be determined by FSC. The potential effects of the new, revised and amended standards or interpretations in paragraphs A and C to F on the Group are under assessment; thus, they cannot be reasonably estimated. The adoption of other newly issued or revised standards and interpretations does not have any material impact on the Group.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements for the years ended December 31, 2021 and 2020 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRIC interpretations and SIC interpretations endorsed 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.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if it has:

- A. power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- B. exposure, or rights, to variable returns from its involvement with the investee, and
- C. the ability to use its power over the investee to affect its returns.

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

When the Group directly or indirectly has less than a majority of the voting or similar rights over an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- A. the contractual arrangement with other vote holders of the investee,
- B. rights arising from other contractual arrangements, and
- C. the voting rights and potential voting rights.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three control elements.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are adjusted to be in line with the accounting policies used by the Group. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests (NCIs) even if this results in a deficit balance of the NCIs.

If the Group loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any NCI;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss for the period; and
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss for the period.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Ownership Percentage	
			2021.12.31	2020.12.31
The Company	Taistar Co., Ltd. (Taistar)	Investment holding	100.00%	100.00%
The Company	Leadmax Ltd. (Leadmax)	Trading of electronic materials	100.00%	100.00%
The Company	Koatech Technology Corporation (Koatech)	Manufacturing and selling of electronic materials and components	53.86%	53.86%
The Company	TFS Co., Ltd. (TFS)	Investment holding	100.00%	100.00%
The Company	Taiflex Scientific Japan Co., Ltd. (Japan Taiflex)	Trading and technical support of electronic materials	100.00%	100.00%
The Company	Taiflex USA Corporation (USA Taiflex)	Technical support and marketing of electronic materials	100.00%	100.00%

(Continued)

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

Investor	Subsidiary	Main Business	Ownership Percentage	
			2021.12.31	2020.12.31
The Company	Richstar Co., Ltd. (Richstar)	Investment holding	73.94%	69.29%
The Company	Taichem Materials Co., Ltd. (Taichem Materials)	Manufacturing and selling of semiconductor materials	100.00%	100.00%
The Company	Taiflex Green Power Co., Ltd. (Taiflex Green Power)	Generation and selling of electricity from renewables	100.00% (Note 1)	-
Taistar	TSC International Ltd. (TSC)	Investment holding	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%
TFS	Richstar Co., Ltd. (Richstar)	Investment holding	26.06%	30.71%
Richstar	Shenzhen Taiflex Electronic Co., Ltd. (Shenzhen Taiflex)	Trading of coating materials for high polymer film and copper foil	100.00%	100.00%
Richstar	Rudong Fuzhan Scientific Co., Ltd. (Rudong Fuzhan)	Manufacturing and selling of electronic materials	100.00%	100.00%
Koatech	KTC Global Co., Ltd. (KTC Global)	Investment holding	100.00%	100.00%
KTC Global	KTC PanAsia Co., Ltd. (KTC PanAsia)	Investment holding	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%

(Concluded)

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

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

The Group's consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. Each entity of the Group determines its own functional currency and items in the financial statements of each entity are measured using that functional currency.

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

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

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

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

- B. Foreign currency items within the scope of IFRS 9 “Financial Instruments” are accounted for based on the accounting policies for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss upon disposal of the net investment.

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

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

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

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

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

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

- A. the Group expects to settle the liability in its normal operating cycle

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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- B. the Group holds the liability primarily for the purpose of trading
- C. the liability is due to be settled within twelve months after the reporting period
- D. the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

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

(7) Financial instruments

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

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

A. Recognition and measurement of financial assets

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

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

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

Financial assets at amortized cost

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

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

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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financial asset is derecognized, going through the amortization process or recognizing the impairment gains or losses.

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

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

Financial assets at fair value through other comprehensive income

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

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

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

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

In addition, for an equity instrument within the scope of IFRS 9 that is not held for trading and the contingent consideration recognized by an acquirer in a business combination under IFRS 3 does not apply, the Group makes an (irrevocable) election at initial recognition to present its subsequent changes in the fair value in other comprehensive income. Amounts presented in other comprehensive income cannot be subsequently

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

transferred to profit or loss (upon disposal of such equity instrument, its cumulative amount in other equity is transferred directly to retained earnings) and shall be recognized as a financial asset at fair value through other comprehensive income on the balance sheet. Dividends from the investment are recognized in profit or loss unless they clearly represent the recovery of a part of the investment cost.

Financial assets at fair value through profit or loss

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

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

B. Impairment of financial assets

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

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

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

The loss allowance is measured as follows:

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

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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- (d) for lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

C. Derecognition of financial assets

The Group derecognizes a financial asset when

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

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

D. Financial liabilities and equity instruments

Classification of liability and equity

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

Equity instruments

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

Compound instruments

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

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

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component is determined as the fair value of convertible bonds less the liability component and its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bonds do not have an equity component, it is accounted for as a hybrid instrument pursuant to IFRS 9.

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading when

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)
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Financial liabilities at amortized costs

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial assets and financial liabilities

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

(8) Derivative instrument

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

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

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

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in

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one of the following markets:

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

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

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

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

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

(10) Inventories

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

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

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

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

(11) Investments accounted for using the equity method

An associate is an entity over which the Group has significant influence. The Group's investment in its associates is accounted for using the equity method except for those that meet the criteria to be classified as assets held for sale.

Under the equity method, the investment in an associate is carried in the balance sheet at cost and adjusted thereafter for the Group's share of post-acquisition change in the net assets of the associate. After the carrying amount and other interests of the investment is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

When changes in the equity of associates are not caused by items of profit or loss nor other comprehensive income and such changes do not affect the Group's ownership percentages in the associates, the Group recognizes such changes by its ownership percentages. The resulting capital surplus is reclassified to profit or loss on a pro rata basis upon subsequent disposal of the associates or joint ventures.

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When the Group does not subscribe for new shares issued by associates based on its original ownership percentages in the associates and the Group's interests in the associates or joint ventures have changed as a result, the changes are adjusted for using "capital surplus" and "investments accounted for using the equity method". When the interests in the associates are reduced, the proportionate amount of relevant gains or losses recognized previously in other comprehensive income are reclassified to profit or loss or other appropriate accounts. The aforementioned capital surplus is reclassified to profit or loss on a pro rata basis upon subsequent disposal of the associates or joint ventures.

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

The Group determines at each reporting date whether there is any objective evidence indicating that its investment in the associate is impaired pursuant to IAS 28 "Investments in Associates and Joint Ventures". If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount and the carrying value of the associate or joint venture and recognizes the amount in the share of profit or loss of associates or joint ventures pursuant to IAS 36 "Impairment of Assets". If the value in use of the investment is adopted for the aforementioned recoverable amount, the Group would determine the value in use by the following estimates:

- A. Its share of the present value of estimated future cash flows expected to be generated by the associates, including the cash flows from the operations of the associates and the proceeds on the ultimate disposal of the investment; or
- B. The present value of estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

As the Group does not recognize goodwill that forms part of the carrying amount of the investments in associates or joint ventures separately, it is not subject to the impairment testing of goodwill under IAS 36 "Impairment of Assets".

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment plus proceeds from disposal is recognized in profit or loss.

(12) Property, plant and equipment

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

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

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

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

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

(13) Borrowing costs

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

(14) Leases

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

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

For contracts that are (or contain) leases, the Group accounts for each lease component as a lease and handles separately from the non-lease components within the contracts. For contracts that contain one lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contracts to the lease component on the basis of the relative stand-alone price of each lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone prices of lease and non-lease components are determined based on the prices that the lessor (or a similar supplier) would charge for those components (or similar components) separately. If an observable stand-alone price is not readily available, the Group would maximize the use of observable information to estimate the stand-alone price.

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The Group being a lessee

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

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

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

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

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

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

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

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

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

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

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

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

The Group being a lessor

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

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

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

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, which fail to meet the recognition criteria, are not capitalized. They are recognized in profit or loss as incurred.

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

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

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

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basis.

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

In-process intangible assets - research and development costs

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

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

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

(16) Impairment of non-financial assets

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

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

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

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

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(17) Provisions

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

(18) Revenue recognition

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

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

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

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

(19) Post-employment benefit plans

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

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

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

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

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

(20) Income tax

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

Current income tax

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

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

Deferred income tax

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

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

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

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

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

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

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

(21) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, identifiable assets acquired and liabilities assumed are measured at fair value as at the acquisition date. For each business combination, the acquirer measures NCI either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under general and administrative expenses.

When the Group acquires a business, it assesses the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in acquiree's host contracts.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date and the resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IFRS 9 as a change in either the profit or loss or other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the excess amount of the aggregate of the consideration transferred and the NCI over the net fair value of the identifiable assets acquired and the liabilities assumed. If the consideration is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment.

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Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the CGU retained.

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

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

(1) Significant accounting judgements

Significant accounting judgments made by the management concerning amounts recognized in the consolidated financial statements during the adoption of accounting policy are as follows:

A. Judgement on whether control of the investee exists with less than 50% of the voting rights

The Company has less than 50% of the investee's voting rights and is its largest shareholder. After taking into account the Company's absolute size of holding in the investee, other shareholders' relative size of holding and degree of shareholding dispersion concerning the investee, written agreements between shareholders, potential voting rights and other factors, the Company concludes that it has significant influence but not control over the investee. Please refer to Note 6(9) for details.

(2) Major sources of estimation and uncertainty

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

A. Fair value of financial instruments

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

B. Receivables – impairment loss estimate

The Group estimates the impairment loss of receivables by measuring the lifetime expected credit losses. Credit loss is calculated as the present value of the difference between contractual cash flows that are due to the Group under contracts (carrying amount) and cash flows the Group expects to receive (assessing the forward-looking information). For short-term receivables, as the discount effect is not significant, credit loss is measured using the undiscounted difference. Less-than-expected future cash flows could result in significant impairment charges. Please refer to Note 6(21) for details.

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C. Inventories

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

D. Post-employment benefit plans

The cost of pension plan and the present value of defined benefit obligation within the post-employment benefit plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rates and expected future salary changes. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6(18).

E. Income tax

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

Deferred income tax assets are recognized for unused tax losses, carryforward of unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred income tax assets to be recognized is based upon the likely timing and the level of future taxable income and taxable temporary differences together with future tax planning strategies. Deferred income tax assets which have not been recognized by the Group as of December 31, 2021 are disclosed in Note 6(25).

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and petty cash	\$ 734	\$ 643
Bank deposits	3,269,667	1,792,989
Total	<u>\$ 3,270,401</u>	<u>\$ 1,793,632</u>

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

	December 31, 2021	December 31, 2020
Mandatorily at fair value through profit or loss:		
Derivative instruments not designated in a hedging relationship		
- Forward foreign exchange contracts	\$ 1,939	\$ 423
- Stocks	25,590	29,409
Total	<u>\$ 27,529</u>	<u>\$ 29,832</u>

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

(3) Financial assets at amortized cost – current

	December 31, 2021	December 31, 2020
Time deposits – current	\$ 276,900	\$ 79,000
Bank deposits – restricted	-	59,719
Total	<u>\$ 276,900</u>	<u>\$ 138,719</u>

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

The Group has been approved by the National Taxation Bureau under Ministry of Finance pursuant to the “Regulations on Industries Investment from Repatriated Offshore Funds” with investment plans approved by the Ministry of Economic Affairs. In accordance with the Regulations, the money cannot be used for purposes other than the ones approved by the competent authorities. The Group proceeded according to the plans this year.

(4) Notes receivable, net

	December 31, 2021	December 31, 2020
Notes receivable, net	<u>\$ 929,304</u>	<u>\$ 727,722</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, net

	December 31, 2021	December 31, 2020
Accounts receivable	\$ 3,064,862	\$ 3,503,025
Letter of credit receivable	12,668	-
Less: Loss allowance	(43,475)	(48,373)
Accounts receivable, net	<u>\$ 3,034,055</u>	<u>\$ 3,454,652</u>

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- A. The Group's accounts receivables were not pledged.
- B. The credit terms of accounts receivables are generally set at 60 to 180 days from the end of month. The gross carrying amounts were NT\$3,077,530 thousand and NT\$3,503,025 thousand as of December 31, 2021 and 2020, respectively. Please refer to Note 6(21) for loss allowance for the years ended December 31, 2021 and 2020 and Note 12 for credit risk.
- C. The Company entered into factoring agreements without recourse with banks for accounts receivable selected. The details as of December 31, 2021 and 2020 were as follows:

December 31, 2021				
Factor	Amount of Accounts Receivable	Amount of Factoring	Condition	Unreceived Amount (Recorded as Other Receivables)
CTBC Bank	US\$2,988 thousand	US\$2,988 thousand	Without recourse	-
Taishin International Bank	US\$1,106 thousand	US\$1,106 thousand	Without recourse	-
Taipei Fubon Bank	US\$6,513 thousand	US\$6,513 thousand	Without recourse	-
Bank of Taiwan	US\$8,206 thousand	US\$8,206 thousand	Without recourse	-

December 31, 2020				
Factor	Amount of Accounts Receivable	Amount of Factoring	Condition	Unreceived Amount (Recorded as Other Receivables)
CTBC Bank	US\$623 thousand	US\$623 thousand	Without recourse	-
Taishin International Bank	US\$6,758 thousand	US\$6,758 thousand	Without recourse	-
Taipei Fubon Bank	US\$1,222 thousand	US\$1,222 thousand	Without recourse	-

(6) Inventories, net

	December 31, 2021	December 31, 2020
Raw materials	\$ 810,251	\$ 586,792
Inventories in transit	80,585	88,121
Supplies	22,638	17,256
Work in progress	76,377	-
Finished goods	507,566	366,149
Merchandise	371,330	224,025
Total	<u>\$ 1,868,747</u>	<u>\$ 1,282,343</u>

The Group recognized NT\$7,206,359 thousand and NT\$6,687,745 thousand of operating costs associated with inventories for the years ended December 31, 2021 and 2020, respectively. Inventory valuation loss for inventories written down to their net realizable value amounted to NT\$35,664 thousand and NT\$2,350 thousand for the years ended December 31, 2021 and 2020, respectively.

The aforementioned inventories were not pledged.

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(7) Non-current assets held for sale

	December 31, 2021	December 31, 2020
<u>Non-current assets held for sale</u>		
Property, plant and equipment	\$ -	\$ -
Right-of-use assets	-	-
Other non-current assets	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

The subsidiary, Kunshan Taiflex Electronic Co., Ltd., had resolved to sell its property, plant and equipment, right-of-use assets - land and other non-current assets to a non-related party, Flexium Interconnect (Kunshan) Inc., in the Board of Directors' meeting on December 12, 2019. Thus, these assets were classified as non-current assets held for sale. The handover of these property, plant and equipment, right-of-use assets - land and other non-current assets was completed in the third quarter of 2020 with proceeds of RMB 138,710 thousand (approximately NT\$590,835 thousand with net proceeds of NT\$482,187 thousand after deducting relevant expenses and land value increment tax.) As of December 31, 2021, the uncollected amount was RMB 2,000 thousand (approximately NT\$8,695 thousand and recognized under other receivables). As of the date of this financial report, the final payment was still pending for collection.

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

	December 31, 2021	December 31, 2020
Equity instrument investments at fair value through other comprehensive income – non-current:		
Publicly traded stocks	\$ 372,637	\$ -
Non-publicly traded stocks	-	-
Total	<u>\$ 372,637</u>	<u>\$ -</u>

The said financial assets at fair value through other comprehensive income were not pledged. As of December 31, 2021, the unrealized valuation loss on financial assets at fair value through other comprehensive income was fully recognized upon evaluation under valuation adjustment of equity instrument investments at fair value through other comprehensive income. Please refer to Table 3 for details.

(9) Investments accounted for using the equity method

Investee	December 31, 2021		December 31, 2020	
	Amount	Ownership Percentage	Amount	Ownership Percentage
Investments in associates:				
Innovision FlexTech Corp.	\$ 28,793	14.37%	\$ 28,835	15.07%
Geckos Technology Corp.	12,253	29.19%	12,149	42.08%
Total	<u>\$ 41,046</u>		<u>\$ 40,984</u>	

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

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- A. The shares of profit or loss of associates accounted for using the equity method for the years ended December 31, 2021 and 2020 were as follows:

Investee	Years Ended December 31	
	2021	2020
Innovision FlexTech Corp.	\$ 1,351	\$ (7,396)
Geckos Technology Corp.	(9,317)	(8,755)
Total	<u>\$ (7,966)</u>	<u>\$ (16,151)</u>

- B. The Group accounted for Innovision FlexTech Corp. (Innovision) using the equity method as it had significant influence over the investee through ownership and representation on Innovision's board of directors.
- C. Determinant on having only significant influence: Although the Group owns 29.19% of the voting power of Geckos Technology Corp. (Geckos), the other shareholders enjoy the advantage of relative majority in directing activities of the investee. Therefore, instead of control, the Group has only significant influence over Geckos.
- D. The summarized financial information of the Group's investments in associates was as follows:

	December 31, 2021	December 31, 2020
Total assets	\$ 417,162	\$ 440,882
Total liabilities	\$ 192,446	\$ 233,976

	Years Ended December 31	
	2021	2020
Revenue	\$ 254,197	\$ 179,658
Net income (loss)	\$ 18,739	\$ (72,213)

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

(10) Property, plant and equipment

	December 31, 2021	December 31, 2020
Owner-occupied property, plant and equipment	<u>\$ 3,360,247</u>	<u>\$ 3,176,745</u>

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A. Owner-occupied property, plant and equipment

	As of January 1, 2021	Additions	Disposals	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of December 31, 2021
<u>Cost</u>							
Land	\$ 100,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,843
Buildings	1,639,242	78,070	-	-	-	2,739	1,720,051
Machinery and equipment	2,958,492	313,753	(66,073)	52,316	-	1,987	3,260,475
Hydropower equipment	438,521	18,035	-	-	-	390	456,946
Testing equipment	382,967	18,794	(22,228)	1,870	-	175	381,578
Miscellaneous equipment	386,551	13,949	(7,040)	(53,885)	-	253	339,828
Total	\$ 5,906,616	\$ 442,601	\$ (95,341)	\$ 301	\$ -	\$ 5,544	\$ 6,259,721
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 472,642	\$ 71,092	\$ -	\$ -	\$ -	\$ 98	\$ 543,832
Machinery and equipment	1,960,842	198,520	(60,679)	49,613	-	146	2,148,442
Hydropower equipment	244,201	20,212	-	-	-	29	264,442
Testing equipment	195,360	37,498	(18,201)	89	-	39	214,785
Miscellaneous equipment	278,077	24,374	(6,868)	(49,401)	(2,879)	96	243,399
Total	\$ 3,151,122	\$ 351,696	\$ (85,748)	\$ 301	\$ (2,879)	\$ 408	\$ 3,414,900
Construction in progress and equipment awaiting inspection	421,251	150,399	-	(56,609)	-	385	515,426
Net	\$ 3,176,745						\$ 3,360,247
	As of January 1, 2020	Additions	Disposals	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of December 31, 2020
<u>Cost</u>							
Land	\$ 100,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,843
Buildings	1,257,430	119,299	-	262,513	-	-	1,639,242
Machinery and equipment	2,701,055	137,742	(9,497)	129,232	-	(40)	2,958,492
Hydropower equipment	383,262	12,640	(230)	42,850	-	(1)	438,521
Testing equipment	352,147	37,248	(4,549)	(1,877)	-	(2)	382,967
Miscellaneous equipment	354,851	30,672	(6,030)	7,064	-	(6)	386,551
Total	\$ 5,149,588	\$ 337,601	\$ (20,306)	\$ 439,782	\$ -	\$ (49)	\$ 5,906,616
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 417,369	\$ 55,243	\$ -	\$ -	\$ -	\$ 30	\$ 472,642
Machinery and equipment	1,795,763	167,884	(9,497)	(17,358)	24,000	50	1,960,842
Hydropower equipment	228,887	15,532	(230)	-	-	12	244,201
Testing equipment	167,139	32,750	(4,549)	-	-	20	195,360
Miscellaneous equipment	262,713	19,858	(5,886)	1,369	-	23	278,077
Total	\$ 2,871,871	\$ 291,267	\$ (20,162)	\$ (15,989)	\$ 24,000	\$ 135	\$ 3,151,122
Construction in progress and equipment awaiting inspection	715,373	145,184	-	(439,149)	-	(157)	421,251
Net	\$ 2,993,090						\$ 3,176,745

B. Upon assessment, the Group determined that a part of miscellaneous equipment had gains on reversal of impairment loss and recognized such of NT\$2,879 thousand for the year ended December 31, 2021. Also, as a part of machinery and equipment was determined to be impaired, an impairment loss of NT\$24,000 thousand was recognized for the year ended December 31, 2020. The recoverable amount was measured at fair value less costs of disposal, and the fair value was classified as level 3.

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

(11) Intangible assets

	As of January 1, 2021	Additions	Reclassification	Effect of Exchange Rate Changes	As of December 31, 2021
<u>Cost</u>					
Trademarks	\$ 691	\$ 41	\$ -	\$ -	\$ 732
Patents	47,677	287	-	-	47,964
Software cost	182,327	11,773	48,911	53	243,064
Goodwill	69,781	-	-	-	69,781
Total	<u>\$ 300,476</u>	<u>\$ 12,101</u>	<u>\$ 48,911</u>	<u>\$ 53</u>	<u>\$ 361,541</u>
<u>Accumulated amortization and impairment</u>					
Trademarks	\$ 436	\$ 50	\$ -	\$ -	\$ 486
Patents	39,880	833	-	-	40,713
Software cost	136,107	21,821	-	35	157,963
Total	<u>176,423</u>	<u>\$ 22,704</u>	<u>\$ -</u>	<u>\$ 35</u>	<u>199,162</u>
Net	<u>\$ 124,053</u>				<u>\$ 162,379</u>
	As of January 1, 2020	Additions	Reclassification	Effect of Exchange Rate Changes	As of December 31, 2020
<u>Cost</u>					
Trademarks	\$ 691	\$ -	\$ -	\$ -	\$ 691
Patents	47,336	341	-	-	47,677
Software cost	165,294	15,432	418	1,183	182,327
Goodwill	69,781	-	-	-	69,781
Total	<u>\$ 283,102</u>	<u>\$ 15,773</u>	<u>\$ 418</u>	<u>\$ 1,183</u>	<u>\$ 300,476</u>
<u>Accumulated amortization and impairment</u>					
Trademarks	\$ 379	\$ 57	\$ -	\$ -	\$ 436
Patents	39,052	828	-	-	39,880
Software cost	116,564	18,334	-	1,209	136,107
Total	<u>155,995</u>	<u>\$ 19,219</u>	<u>\$ -</u>	<u>\$ 1,209</u>	<u>176,423</u>
Net	<u>\$ 127,107</u>				<u>\$ 124,053</u>

(12) Other non-current assets

	December 31, 2021	December 31, 2020
Refundable deposits	\$ 13,546	\$ 25,212
Other non-current assets - other	1,398	1,305
Total	<u>\$ 14,944</u>	<u>\$ 26,517</u>

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(13) Impairment testing of goodwill

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

Key assumption in calculating the fair value less costs of disposal

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

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

Sensitivity to changes in assumption

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

(14) Short-term loans

	December 31, 2021	December 31, 2020
Unsecured bank loans	\$ 790,000	\$ 150,000

The interest rate ranges of loans were 0.68% to 1.20% and 0.73% and the unused short-term credit facilities amounted to NT\$2,390,401 thousand and NT\$2,998,806 thousand as of December 31, 2021 and 2020, respectively.

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

	December 31, 2021	December 31, 2020
Held for trading:		
Derivative financial instruments not designated in a hedging relationship		
- Forward foreign exchange contracts	\$ 4,861	\$ 11,294
- Foreign exchange swap contracts	352	545
Mandatorily at fair value through profit or loss:		
- Corporate bonds	5,836	-
Total	\$ 11,049	\$ 11,839

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(16) Bonds payable

	December 31, 2021	December 31, 2020
Overseas unsecured convertible bonds payable	\$ 1,855,472	\$ -
Less: Current portion	-	-
Net	<u>\$ 1,855,472</u>	<u>\$ -</u>
Overseas unsecured convertible bonds payable		
	December 31, 2021	December 31, 2020
Liability component:		
Overseas unsecured convertible bonds payable – principal amount	\$ 1,945,300	\$ -
Overseas unsecured convertible bonds payable – discounts	(89,828)	-
Subtotal	<u>\$ 1,855,472</u>	-
Less: Current portion	-	-
Net	<u>\$ 1,855,472</u>	<u>\$ -</u>
Embedded derivative financial instruments	<u>\$ (5,836)</u>	<u>\$ -</u>
Equity component	<u>\$ 70,203</u>	<u>\$ -</u>

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

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

Period: November 30, 2021 to November 30, 2026

Major redemption clauses:

- A. The bonds are converted into U.S. dollars equivalent to the New Taiwan dollars amount using a fixed exchange rate for the repayment, repurchase and redemption of the bonds. The fixed exchange rate is determined with reference to the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m. on the pricing date (i.e., the Fixed Exchange Rate is NT\$27.79 = US\$1.00).
- B. After three months of the issuance and prior to the maturity date, the Company may redeem the outstanding convertible bonds in cash at the "early redemption amount" when the closing price (converted into U.S. dollars at the applicable prevailing exchange rate) of the Company's common stocks listed on the TWSE is at least 130% of the total amount determined by multiplying the early redemption amount by the conversion price (translated into U.S. dollars at the Fixed Exchange Rate determined on the pricing date) and divided by the principal amount of the bonds for a period of thirty consecutive trading

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days. The early redemption amount is converted to New Taiwan dollars using the Fixed Exchange Rate, and the New Taiwan dollars amount will be converted into U.S. dollars using the prevailing exchange rate (the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m.) for payments in U.S. dollars.

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

Terms of conversion:

- A. Underlying securities: Common stocks of Taiflex
- B. Conversion period: Bondholders have the right to convert their bonds into the Company’s common stocks from the day immediately following the 90-day period from the issue date to (1) 10 days prior to the maturity date or (2) no later than five business days prior to the holder’s put date or the date when the Company exercises early redemption.
- C. Conversion price and its adjustments: The conversion price is set at NT\$53.50 per share at the time of issuance. When the conversion price needs to be adjusted due to circumstances set out in the bond indenture, it shall be adjusted according to formulas in the indenture. The conversion price as of December 31, 2021 was NT\$53.50 per share.
- D. Redemption on maturity date: Upon maturity, the bonds will be redeemed at 100% of the outstanding principal amount (redemption amount at maturity). The redemption amount at maturity is converted to New Taiwan dollars using the Fixed Exchange Rate, and the New Taiwan dollars amount will be converted into U.S. dollars using the prevailing exchange rate (the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m.) for payments in U.S. dollars.

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(17) Long-term loans

Details of long-term loans as of December 31, 2021 and 2020 were as follows:

Creditor	2021.12.31	Contract Term and Repayment
Bank of Taiwan – syndicated loan	\$ 138,450	2020.10.29 – 2025.10.28, revolving for five years from the initial drawdown date with monthly interest payment
Export-Import Bank of the Republic of China – credit loan	125,000	2019.6.28 – 2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Mizuho Bank – credit loan	60,000	2021.10.5 – 2023.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank – credit loan	90,000	2021.10.5 – 2023.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank – credit loan	150,000	2021.10.5 – 2023.10.5, revolving for 2 years after the commencement date with monthly interest payment
Taipei Fubon Bank - credit loan	35,000	2021.9.6 – 2026.9.6, non-revolving for 60 months from the initial drawdown date, principal to be repaid in 12 equal quarterly installments after the grace period of 24 months with monthly interest payment
Taipei Fubon Bank - credit loan	50,000	2021.9.6 – 2026.9.6, non-revolving for 60 months from the initial drawdown date, principal to be repaid in 12 equal quarterly installments after the grace period of 24 months with monthly interest payment
Taishin International Bank - credit loan	3,500	2021.9.10 – 2023.9.10, revolving for 2 years after the commencement date with monthly interest payment
Taishin International Bank - credit loan	7,000	2021.9.10 – 2023.9.10, revolving for 2 years after the commencement date with monthly interest payment
Taishin International Bank - credit loan	20,000	2021.9.10 – 2023.9.10, revolving for 2 years after the commencement date with monthly interest payment
Taishin International Bank - credit loan	11,000	2021.9.10 – 2023.9.10, revolving for 2 years after the commencement date with monthly interest payment
Taishin International Bank - collateral loan	33,370	2020.2.25 – 2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Taishin International Bank - collateral loan	90,000	2020.2.25 – 2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Subtotal	813,320	
Less: Current portion	(50,000)	
Less: Unamortized fee	(3,600)	
Total	<u>\$ 759,720</u>	

Creditor	2020.12.31	Contract Term and Repayment
Bank of Taiwan – syndicated loan	\$ 140,630	2020.10.29 – 2025.10.28, revolving for five years from the initial drawdown date with monthly interest payment
Export-Import Bank of the Republic of China – credit loan	150,000	2019.6.28 – 2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Mizuho Bank – credit loan	90,000	2020.10.5 – 2022.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank – credit loan	60,000	2020.10.5 – 2022.10.5, revolving for 2 years after the commencement date with monthly interest payment
Taishin International Bank - collateral loan	33,370	2020.2.25 – 2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Taishin International Bank - collateral loan	90,000	2020.2.25 – 2025.2.25, principal to be repaid by the remaining term with monthly interest payment
Subtotal	564,000	
Less: Current portion	(25,000)	
Total	<u>\$ 539,000</u>	

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- A. The interest rate ranges of loans were 0.7% to 1.57% and 0.8% to 1.2645% as of December 31, 2021 and 2020, respectively. Please refer to Note 8 for collateral of the long-term loans.
- B. In July 2020, the Company entered into a syndicated loan agreement with eight financial institutions, including the Bank of Taiwan (bookrunner), for a loan facility of NT\$2.5 billion or the equivalent in U.S. dollars. The contract term was five years from the initial drawdown date, i.e., October 2020 to October 2025 and the credit term of the agreement was mid-term loans - current. During the loan term, the 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 Company has abided by those terms.

(18) Post-employment benefit plans

A. Defined contribution plan

Expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 were NT\$31,763 thousand and NT\$26,392 thousand, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan were as follows:

Financial Statement Account	Years Ended December 31	
	2021	2020
Operating costs	\$ 4,273	\$ 4,106
Sales and marketing expenses	329	615
General and administrative expenses	2,478	2,601
Research and development expenses	1,804	2,638
Total	<u>\$ 8,884</u>	<u>\$ 9,960</u>

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

	Years Ended December 31	
	2021	2020
Beginning balance	\$ 155,592	\$ 120,372
Actuarial gain or loss	(19,569)	35,220
Ending balance	<u>\$ 136,023</u>	<u>\$ 155,592</u>

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

	Years Ended December 31	
	2021	2020
Present value of defined benefit obligation	\$ 267,236	\$ 290,184
Fair value of plan assets	(18,547)	(28,226)
Funded status	248,689	261,958
Net defined benefit liabilities	<u>\$ 248,689</u>	<u>\$ 261,958</u>

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

	Years Ended December 31	
	2021	2020
Balance, beginning of year	\$ 290,184	\$ 243,665
Current service cost	7,738	7,995
Interest cost	1,161	2,071
Actuarial gain or loss	(19,194)	36,453
Benefits paid	(12,653)	-
Balance, end of year	\$ 267,236	\$ 290,184

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

	Years Ended December 31	
	2021	2020
Balance, beginning of year	\$ 28,226	\$ 24,115
Return on plan assets	113	205
Contributions from employer	2,486	2,673
Actuarial gain or loss	375	1,233
Benefits paid	(12,653)	-
Balance, end of year	\$ 18,547	\$ 28,226

G. As of December 31, 2021, the Company expected to make contributions of NT\$8,659 thousand to the defined benefit plan in the following 12 months.

H. The major categories of plan assets as a percentage of the fair value of total plan assets were as follows:

	Pension Plan (%)	
	December 31, 2021	December 31, 2020
Cash	100%	100%

The Company's actual returns on plan assets were NT\$487 thousand and NT\$1,438 thousand for the years ended December 31, 2021 and 2020, respectively.

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

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

	December 31, 2021	December 31, 2020
Discount rate	0.69%	0.40%
Expected rate of return on plan assets	0.69%	0.40%
Expected rate of salary increases	5.00%	5.00%

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

	Years Ended December 31			
	2021		2020	
	0.5% Increase	0.5% Decrease	0.5% Increase	0.5% Decrease
Effect on aggregate of current service cost and interest cost	\$ 640	\$ (823)	\$ 268	\$ (401)
Effect on present value of defined benefit obligation	(21,283)	23,415	(23,889)	26,386

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

	Years Ended December 31	
	2021	2020
Present value of defined benefit obligation, ending balance	\$ 267,236	\$ 290,184
Fair value of plan assets, ending balance	(18,547)	(28,226)
Deficit of plan, ending balance	<u>\$ 248,689</u>	<u>\$ 261,958</u>
Experience adjustments on plan liabilities	\$ (5,007)	\$ 10,180
Experience adjustments on plan assets	\$ (374)	\$ (1,233)

(19) Equity

A. Capital

- (a) The Company's authorized capital was NT\$3,000,000 thousand, divided into 300,000 thousand shares (including 15,000 thousand shares with the amount of NT\$150,000 thousand reserved for the exercise of employee stock options, preferred stock with warrants and bond with warrants), each at a par value of NT\$10 as of December 31, 2021 and 2020.
- (b) The Company's issued capital was NT\$2,091,197 thousand, divided into 209,120 thousand shares, each at a par value of NT\$10 as of December 31, 2021 and 2020.

B. Capital surplus

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$ 666,479	\$ 666,479
Premium from merger	262,500	262,500
Donated assets	1,970	1,970
Treasury stock transactions	27,280	27,280
Due to recognition of equity component of convertible bonds - stock options	70,203	-
Others	117,334	107,918
Total	<u>\$ 1,145,766</u>	<u>\$ 1,066,147</u>

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

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dividends to shareholders in proportion to the number of shares being held by each of them.

C. Appropriation of profits and dividend policies

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

- (a) Taxes and dues.
- (b) Deficit compensation.
- (c) 10% of net profit as legal reserves. However, this shall not apply when the accumulated legal reserve has equaled total paid-in capital.
- (d) Special reserve appropriated or reversed as stipulated by relevant laws and regulations or the competent securities authorities.
- (e) For the remaining profits, if any, the Board of Directors shall draft a proposal for the distribution of bonus to shareholders and submit it to the shareholders' meeting for resolution.

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 December 31, 2021 and 2020, special reserve set aside for the first-time adoption of IFRS amounted to NT\$75,546 thousand.

Information about the appropriation of 2020 and 2019 earnings resolved in the shareholders' meetings on July 16, 2021 and May 28, 2020, respectively, was as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend per Share (NT\$)</u>	
	2020	2019	2020	2019
Legal reserve	\$ 74,469	\$ 57,079	-	-
Special reserve	3,306	64,876	-	-
Cash dividends - common stocks	522,799	250,944	\$ 2.50	\$ 1.20

The shareholders' meeting on May 28, 2020 resolved to distribute NT\$271,855 thousand from capital surplus to shareholders in the form of cash. Shareholders are entitled to receive NT\$1.3 per share.

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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)

	Years Ended December 31	
	2021	2020
Beginning balance	\$ 118,072	\$ 106,567
Net income attributable to NCI	10,208	11,494
Other comprehensive income attributable to NCI:		
Exchange differences arising on translation of foreign operations	64	11
Others	19,753	-
Ending balance	<u>\$ 148,097</u>	<u>\$ 118,072</u>

(20) Operating revenue

	Years Ended December 31		
	2021	2020	2019
Revenue from sale of goods	<u>\$ 9,405,002</u>	<u>\$ 8,766,318</u>	
Contract balances:			
Contract liabilities – current	December 31, 2021	December 31, 2020	December 31, 2019
Sale of goods	<u>\$ 1,853</u>	<u>\$ 2,508</u>	<u>\$ 1,084</u>

Beginning balance of contract liabilities reclassified to revenue amounted to NT\$2,508 thousand and NT\$1,084 thousand for the years ended December 31, 2021 and 2020, respectively.

(21) Expected credit (loss) gain

	Years Ended December 31	
	2021	2020
Operating expenses – expected credit (loss) gain		
Accounts receivable	<u>\$ 4,386</u>	<u>\$ 7,785</u>

Please refer to Note 12 for information concerning credit risk.

For receivables (including notes and accounts receivables), the Group measured the loss allowance at an amount equal to lifetime expected credit losses. The assessment on the loss allowance as of December 31, 2021 and 2020 was as follows:

Expected credit loss of receivables:

December 31, 2021

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

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December 31, 2020

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 4,069,090	\$ 136,397	\$ -	\$ 25,260	\$ 4,230,747
Loss ratio	0%~1%	3%~10%	20%~50%	50%~100%	
Lifetime expected credit losses	18,406	4,842	-	25,125	48,373
Subtotal	\$ 4,050,684	\$ 131,555	\$ -	\$ 135	\$ 4,182,374

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

The movements in the loss allowance for receivables in the years ended December 31, 2021 and 2020 were as follows:

	Receivables	Other Non-current Assets	Total
	Balance as of January 1, 2021	\$ 48,373	\$ -
Reversal in the current period	(4,386)	-	(4,386)
Write off	(789)	-	(789)
Effect of exchange rate changes	277	-	277
Balance as of December 31, 2021	\$ 43,475	\$ -	\$ 43,475

	Receivables	Other Non-current Assets	Total
	Balance as of January 1, 2020	\$ 56,168	\$ 4,101
Reversal in the current period	(7,785)	-	(7,785)
Write off	-	(4,101)	(4,101)
Effect of exchange rate changes	(10)	-	(10)
Balance as of December 31, 2020	\$ 48,373	\$ -	\$ 48,373

(22) Leases

A. The Group being a lessee

The Group leased various assets, including property (land and buildings) and transportation equipment. The lease terms of these contracts ranged between 2 and 50 years.

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

(a) Amounts recognized in the balance sheets

i. Right-of-use assets

Carrying amount of right-of-use assets

	December 31, 2021	December 31, 2020
Land	\$ 343,162	\$ 350,777
Buildings	13,980	17,442
Transportation equipment	13,961	12,638
Total	\$ 371,103	\$ 380,857

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The Group's right-of-use assets increased by NT\$18,297 thousand and NT\$22,549 thousand for the years ended December 31, 2021 and 2020, respectively.

ii. Lease liabilities

	December 31, 2021	December 31, 2020
Current	\$ 16,353	\$ 16,600
Non-current	250,691	256,652
Lease liabilities	\$ 267,044	\$ 273,252

Please refer to Note 6(24)D Finance costs for details on interest expenses of lease liabilities for the years ended December 31, 2021 and 2020 and Note 12(5) Liquidity risk management for the maturity analysis on lease liabilities as of December 31, 2021 and 2020.

(b) Amounts recognized in the statements of comprehensive income

Depreciation of right-of-use assets

	Years Ended December 31	
	2021	2020
Land	\$ 8,478	\$ 8,435
Buildings	6,337	6,750
Transportation equipment	7,139	7,683
Total	\$ 21,954	\$ 22,868

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

	Years Ended December 31	
	2021	2020
Expense of short-term leases	\$ 25,781	\$ 12,493
Expense of leases of low value assets (excluding short-term leases of low value assets)	6,067	2,008

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

The Group's cash outflows from leases amounted to NT\$54,309 thousand and NT\$38,530 thousand for the years ended December 31, 2021 and 2020, 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

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reassess the lease periods when a significant event or a significant change in circumstances occurs (that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term) after the commencement date.

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

Function Nature	Years Ended December 31					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	511,082	427,738	938,820	426,007	367,891	793,898
Labor and health insurance	52,733	33,636	86,369	38,585	26,271	64,856
Pension	24,487	16,160	40,647	20,862	15,490	36,352
Remuneration to directors	-	20,759	20,759	-	21,078	21,078
Other employee benefits expense	58,756	30,979	89,735	42,706	24,575	67,281
Depreciation	311,464	62,186	373,650	286,761	27,374	314,135
Amortization	3,185	20,093	23,278	4,665	15,789	20,454

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

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

Information on 2021 compensation to employees and remuneration to directors resolved in the Board of Directors' meeting on January 19, 2022 and 2020 compensation to employees and remuneration to directors reported in the shareholders' meeting on July 16, 2021 was as follows:

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

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

(24) Non-operating income and expenses

A. Interest income

	Years Ended December 31	
	2021	2020
Interest income	\$ 5,370	\$ 7,881

B. Other income

	Years Ended December 31	
	2021	2020
Other income	\$ 32,329	\$ 21,519

C. Other gains and losses

	Years Ended December 31	
	2021	2020
(Loss) gain on disposal of property, plant and equipment	\$ (6,692)	\$ 1,133
Gain on disposal of non-current assets held for sale	-	32,022
Gain on disposal of investments	1,612	-
Foreign exchange loss, net	(1,047)	(60,735)
Gain on reversal of (impairment loss) for non-financial assets	2,879	(24,000)
Loss on financial assets (liabilities) at fair value through profit or loss, net	(12,438)	(16,767)
Other losses	(1,243)	(1,227)
Total	\$ (16,929)	\$ (69,574)

D. Finance costs

	Years Ended December 31	
	2021	2020
Interest on bank borrowings	\$ (14,133)	\$ (15,673)
Interest on lease liabilities	(5,179)	(5,090)
Interest on bonds payable	(1,486)	-
Total	\$ (20,798)	\$ (20,763)

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E. Components of other comprehensive income

For the year ended December 31, 2021

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	\$ 19,569	\$ -	\$ 19,569	\$ (3,914)	\$ 15,655
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(15,622)	-	(15,622)	-	(15,622)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	17,486	-	17,486	(3,497)	13,989
Total	\$ 21,433	\$ -	\$ 21,433	\$ (7,411)	\$ 14,022

For the year ended December 31, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	\$ (35,220)	\$ -	\$ (35,220)	\$ 7,044	\$ (28,176)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(4,119)	-	(4,119)	824	(3,295)
Total	\$ (39,339)	\$ -	\$ (39,339)	\$ 7,868	\$ (31,471)

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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

	Years Ended December 31	
	2021	2020
Current income tax expense (benefit):		
Current income tax expense	\$ 181,061	\$ 221,982
Income tax adjustments on prior years	(10,020)	(45,599)
Separate taxation for repatriated offshore funds	-	11,411
Effect of exchange rate changes	(92)	395
Deferred income tax expense (benefit):		
Income tax expense (benefit) relating to origination and reversal of temporary differences	25,003	(6,745)
Income tax expense	<u>\$ 195,952</u>	<u>\$ 181,444</u>

Income tax recognized in other comprehensive income

	Years Ended December 31	
	2021	2020
Deferred income tax expense (benefit):		
Remeasurement of defined benefit plan	\$ 3,914	\$ (7,044)
Exchange differences arising on translation of foreign operations	3,497	(824)
Income tax relating to components of other comprehensive income	<u>\$ 7,411</u>	<u>\$ (7,868)</u>

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

	Years Ended December 31	
	2021	2020
Income before tax of continuing operations	<u>\$ 940,814</u>	<u>\$ 965,797</u>
Income tax expense at the statutory rate of the parent company	\$ 188,163	\$ 193,159
Additional profit-seeking enterprise income tax on unappropriated earnings	-	-
Tax effects of entities at different tax jurisdictions with different tax rates	19,901	22,473
Income tax adjustments on prior years	(10,020)	(45,599)
Separate taxation for repatriated offshore funds	-	11,411
Tax effects of other tax adjustments	(2,092)	-
Income tax expense recognized in profit or loss	<u>\$ 195,952</u>	<u>\$ 181,444</u>

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

For the year ended December 31, 2021

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Ending balance
Temporary differences					
Exchange gain or loss	\$ 17,024	\$ (2,299)	\$ -	\$ -	\$ 14,725
Allowance for inventory valuation and obsolescence loss	30,844	4,417	-	-	35,261
Gain (loss) on investments accounted for using the equity method	(52,423)	(20,492)	(3,497)	-	(76,412)
Unrealized intra-group profits and losses	6,817	(1,026)	-	-	5,791
Impairment of assets	7,019	(5,649)	-	-	1,370
Allowance for doubtful accounts	3,999	(356)	-	-	3,643
Net defined benefit liabilities	52,392	1,260	(3,914)	-	49,738
Others	45,644	3,977	-	-	49,621
Deferred income tax expense		<u>\$ (20,168)</u>	<u>\$ (7,411)</u>	<u>\$ -</u>	
Net deferred income tax assets (liabilities)	<u>\$ 111,316</u>				<u>\$ 83,737</u>
Reflected in balance sheets as follows:					
Deferred income tax assets	<u>\$ 200,958</u>				<u>\$ 195,565</u>
Deferred income tax liabilities	<u>\$ (89,642)</u>				<u>\$ (111,828)</u>

For the year ended December 31, 2020

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Ending balance
Temporary differences					
Exchange gain or loss	\$ 18,548	\$ (1,524)	\$ -	\$ -	\$ 17,024
Allowance for inventory valuation and obsolescence loss	16,591	14,253	-	-	30,844
Gain (loss) on investments accounted for using the equity method	(48,984)	(4,263)	824	-	(52,423)
Unrealized intra-group profits and losses	6,572	245	-	-	6,817
Impairment of assets	1,320	5,699	-	-	7,019
Allowance for doubtful accounts	4,463	(464)	-	-	3,999
Net defined benefit liabilities	43,910	1,438	7,044	-	52,392
Others	48,657	(3,013)	-	-	45,644
Deferred income tax expense		<u>\$ 12,371</u>	<u>\$ 7,868</u>	<u>\$ -</u>	
Net deferred income tax assets (liabilities)	<u>\$ 91,077</u>				<u>\$ 111,316</u>
Reflected in balance sheets as follows:					
Deferred income tax assets	<u>\$ 205,308</u>				<u>\$ 200,958</u>
Deferred income tax liabilities	<u>\$ (114,231)</u>				<u>\$ (89,642)</u>

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D. Unrecognized deferred income tax assets:

As of December 31, 2021 and 2020, deferred income tax assets that had not been recognized by the Group amounted to NT\$31,758 thousand and NT\$33,108 thousand, respectively.

E. The assessment of income tax returns:

As of December 31, 2021, the assessment of the Group's income tax returns in ROC was as follows:

	Assessment of Income Tax Returns
The Company	Assessed and approved up to 2019
Subsidiary – Koatech Technology Corporation	Assessed and approved up to 2019

(26) Earnings per share (EPS)

	Year Ended December 31, 2021		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the Company	\$ 734,654	209,120	\$ 3.51
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	1,189	36,361	
Employee compensation - stock	-	1,569	
Net income attributable to common shareholders of the Company and effect of potential common stocks	\$ 735,843	247,050	\$ 2.98
Year Ended December 31, 2020			
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the Company	\$ 772,859	209,120	\$ 3.70
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Employee compensation - stock	-	1,383	
Net income attributable to common shareholders of the Company and effect of potential common stocks	\$ 772,859	210,503	\$ 3.67

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7. Related Party Transactions

(1) 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)	An associate of the Group

(2) Significant transactions with related parties

A. Other receivables – related parties

	December 31, 2021	December 31, 2020
Geckos	\$ 123	\$ 132

B. Prepayments

	December 31, 2021	December 31, 2020
Innatech	\$ 196	\$ 777
SINYA Network	244	-
Total	\$ 440	\$ 777

C. Other payables – related parties

	December 31, 2021	December 31, 2020
Innatech	\$ 1,359	\$ 6,701
SINYA Network	2,916	1,285
SINYA Digital	33	-
Total	\$ 4,308	\$ 7,986

D. Property transaction

Acquisition of property, plant and equipment

	Years Ended December 31	
	2021	2020
Innatech	\$ 2,654	\$ 10,117
SINYA Network	1,250	-
Total	\$ 3,904	\$ 10,117

Acquisition of intangible assets

	Years Ended December 31	
	2021	2020
Innatech	\$ 52,318	\$ 682

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Proceeds from sale of property, plant and equipment

	Years Ended December 31	
	2021	2020
Geckos	\$ -	\$ 15

Gain on sale of property, plant and equipment

	Years Ended December 31	
	2021	2020
Geckos	\$ -	\$ 15

E. Others

Rental income

	Years Ended December 31	
	2021	2020
Geckos	\$ 1,800	\$ 1,800

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

Operating expenses

	Years Ended December 31	
	2021	2020
SINYA Network	\$ 7,198	\$ 779
Innatech	1,750	-
SINYA Digital	35	-
Total	\$ 8,983	\$ 779

F. Compensation to key management of the Group

	Years Ended December 31	
	2021	2020
Short-term employee benefits	\$ 61,944	\$ 70,505
Post-employment benefits	432	559
Total	\$ 62,376	\$ 71,064

8. Pledged Assets

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

	Carrying Amount		Purpose of Pledge
	December 31, 2021	December 31, 2020	
Time deposits (Note)	\$ 41,850	\$ 20,081	Customs guarantee
Land	100,843	100,843	Long-term loans
Buildings	90,828	93,539	Letter of credit, short-term credit facilities and long-term loans
Total	\$ 233,521	\$ 214,463	

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

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9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Details of the Group's unused letters of credit as of December 31, 2021 were as follows:

	L / C Balance
NTD	NT\$ 893 thousand
USD	US\$ 8,410 thousand
JPY	JPY 1,205,811 thousand

(2) Guaranteed notes issued by the Group amounted to NT\$24,000 thousand as of December 31, 2021. They were issued as performance guarantees and would be recovered for cancellation upon termination of the guarantee obligation.

10. Significant Disaster Loss

None.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2021	December 31, 2020
Financial assets at fair value through profit or loss:		
Mandatorily at fair value through profit or loss	\$ 27,529	\$ 29,832
Financial assets at fair value through other comprehensive income	372,637	-
Financial assets at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	3,269,667	1,792,989
Financial assets at amortized cost	276,900	138,719
Receivables	4,013,876	4,236,970
Other financial assets - current	41,850	20,081

Financial liabilities

	December 31, 2021	December 31, 2020
Financial liabilities at fair value through profit or loss:		
Held for trading	\$ 11,049	\$ 11,839
Financial liabilities at amortized cost:		
Short-term loans	790,000	150,000
Payables	1,928,516	2,322,091
Bonds payable (including current portion)	1,855,472	-
Long-term loans (including current portion)	809,720	564,000
Lease liabilities (current and non-current)	267,044	273,252

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(2) Objectives 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 and the Audit Committee must be carried out based on related protocols and internal control procedures. The Group shall comply with its financial risk management policies at all times.

(3) Market risk

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

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

A. Foreign currency risk

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

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

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

B. Interest rate risk

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

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

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C. Equity price risk

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

A 5% increase/decrease in the prices of listed companies' stocks classified as at fair value through profit or loss could cause the profit or loss for the years ended December 31, 2021 and 2020 to increase/decrease by NT\$1,279 thousand and NT\$1,470 thousand, respectively.

A 5% increase/decrease in the prices of listed companies' stocks classified as at fair value through other comprehensive income could cause the comprehensive income for the years ended December 31, 2021 and 2020 to increase/decrease by NT\$18,632 thousand and NT\$0 thousand, respectively.

D. Pre-tax sensitivity analysis was as follows:

For the year ended December 31, 2021

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$34,428 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ NT\$ 1,324 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- NT\$ 1,947 thousand

For the year ended December 31, 2020

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$11,100 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ NT\$ 609 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- NT\$ 1,218 thousand

(4) Credit risk management

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

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

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.

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(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>December 31, 2021</u>					
Borrowings	\$ 848,666	\$ 475,207	\$ 297,445	\$ -	\$ 1,621,318
Payables	1,928,516	-	-	-	1,928,516
Convertible bonds	-	-	1,945,300	-	1,945,300
Lease liabilities	16,353	31,145	18,771	288,445	354,714

December 31, 2020

Borrowings	\$ 175,187	\$ 250,000	\$ 289,000	\$ -	\$ 714,187
Payables	2,322,091	-	-	-	2,322,091
Lease liabilities	16,600	33,325	20,462	297,113	367,500

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>December 31, 2021</u>					
Inflows	\$ 1,073,629	\$ -	\$ -	\$ -	\$ 1,073,629
Outflows	1,081,553	-	-	-	1,081,553
Net	\$ (7,924)	\$ -	\$ -	\$ -	\$ (7,924)

December 31, 2020

Inflows	\$ 739,991	\$ -	\$ -	\$ -	\$ 739,991
Outflows	\$ 743,544	-	-	-	\$ 743,544
Net	\$ (3,553)	\$ -	\$ -	\$ -	\$ (3,553)

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

(6) Reconciliation of liabilities arising from financing activities

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

	Short-term Loans	Long-term Loans	Lease Liabilities	Guarantee Deposits Received	Bonds Payable	Total Liabilities from Financing Activities
As of January 1, 2021	\$ 150,000	\$ 564,000	\$ 273,252	\$ 255	\$ -	\$ 987,507
Cash flows	640,000	245,720	(22,461)	-	1,945,300	2,808,559
Non-cash movements	-	-	16,253	-	(89,828)	(73,575)
As of December 31, 2021	\$ 790,000	\$ 809,720	\$ 267,044	\$ 255	\$ 1,855,472	\$ 3,722,491

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Reconciliation of liabilities for the year ended December 31, 2020:

	Short-term Loans	Long-term Loans	Lease Liabilities	Guarantee Deposits Received	Total Liabilities from Financing Activities
As of January 1, 2020	\$ 740,000	\$ 934,565	\$ 267,915	\$ 216,029	\$ 2,158,509
Cash flows	(590,000)	(370,565)	(24,029)	(215,774)	(1,200,368)
Non-cash movements	-	-	29,366	-	29,366
As of December 31, 2020	<u>\$ 150,000</u>	<u>\$ 564,000</u>	<u>\$ 273,252</u>	<u>\$ 255</u>	<u>\$ 987,507</u>

(7) Fair values of financial instruments

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

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

- (a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximates their fair value due to short maturity terms.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation prices (e.g., listed equity securities, beneficiary certificates, bonds and futures).
- (c) For bonds payable with no market quotation price, the fair value is determined by the quotation price of the counterparty or valuation techniques. The latter is based on the discounted cash flow analysis with assumptions of interest rates and discount rates primarily founded on relevant information of similar instruments (e.g., yield curve used by the Taipei Exchange, Reuters' average interest rate of commercial papers and credit risk).

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

Forward foreign exchange contracts

As of December 31, 2021 and 2020, 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:

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Currency	Contract Period	Contract Amount (in thousands)
<u>December 31, 2021</u>		
Sell RMB/Buy NTD	2021.09~2022.05	RMB150,000/NT\$ 643,512
Sell USD/Buy NTD	2021.11~2022.02	US\$ 6,000/NT\$ 166,647
Sell USD/Buy THB	2021.11~2022.11	US\$ 8,000/THB 267,750
<u>December 31, 2020</u>		
Sell RMB/Buy NTD	2020.08~2021.04	RMB 78,000/NT\$ 330,154
Sell USD/Buy NTD	2020.10~2021.03	US\$ 13,000/NT\$ 368,953

- 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>December 31, 2021</u>		
Sell RMB/Buy NTD	2021.09~2022.04	RMB 9,600/NT\$ 41,104
<u>December 31, 2020</u>		
Sell RMB/Buy NTD	2020.09~2021.02	RMB 9,600/NT\$ 40,884

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

Embedded derivative instruments

Embedded derivative instruments identified from convertible bonds were separated from the host contract and measured at fair value through profit or loss. Please refer to Note 6(16) 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.

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B. Hierarchy of fair value measurement

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2021</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 1,939	\$ -	\$ 1,939
Stocks	25,590	-	-	25,590
Financial assets at fair value through other comprehensive income	372,637	-	-	372,637
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	4,861	-	4,861
Foreign exchange swap contracts	-	352	-	352
Embedded derivative instruments	-	5,836	-	5,836
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2020</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 423	\$ -	\$ 423
Stocks	29,409	-	-	29,409
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	11,294	-	11,294
Foreign exchange swap contracts	-	545	-	545

For the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value hierarchy.

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

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

	December 31, 2021			December 31, 2020		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 159,471	27.690	\$ 4,415,749	\$ 79,777	28.126	\$ 2,243,797
RMB	30,794	4.3477	133,883	14,240	4.3140	61,433
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 35,138	27.690	\$ 972,977	\$ 40,316	28.126	\$ 1,133,918
JPY	140,856	0.2405	33,876	213,684	0.2713	57,973

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 years ended December 31, 2021 and 2020, the Group's foreign exchange gain (loss) amounted to NT\$(1,047) thousand and NT\$(60,735) thousand, respectively.

(11) Capital management

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

(12) Information on financial assets transferred

Derecognition of financial assets transferred in their entirety.

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

Factor	December 31, 2021		Interest Rate Range	Credit Line
	Amount Transferred	Amount Advanced		
CTBC Bank	US\$2,988 thousand	US\$2,988 thousand	0.7611%	US\$5,500 thousand
Taishin International Bank	US\$789 thousand	US\$789 thousand	0.7%	NT\$690,000 thousand

(Continued)

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December 31, 2021				
Factor	Amount Transferred	Amount Advanced	Interest Rate Range	Credit Line
Taipei Fubon Bank	US\$4,613 thousand	US\$4,613 thousand	0.7%~0.77%	US\$8,000 thousand
Bank of Taiwan	US\$8,206 thousand	US\$8,206 thousand	0.6977%	US\$15,000 thousand (Concluded)
December 31, 2020				
Factor	Amount Transferred	Amount Advanced	Interest Rate Range	Credit Line
CTBC Bank	US\$623 thousand	US\$623 thousand	0.8034%	US\$5,000 thousand
Taishin International Bank	US\$6,758 thousand	US\$6,758 thousand	0.71%~0.88%	NT\$690,000 thousand
Taipei Fubon Bank	US\$1,222 thousand	US\$1,222 thousand	0.78%	US\$6,000 thousand

13. Additional Disclosures

- (1) Information on significant transactions and investees
 - A. Financing provided to others: Please refer to Table 1.
 - B. Endorsement/guarantee provided to others: Please refer to Table 2.
 - C. Marketable securities held as of December 31, 2021 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.
 - D. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2021: Please refer to Table 4.
 - E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2021: None.
 - F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2021: None.
 - G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2021: Please refer to Table 5.
 - H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2021: Please refer to Table 6.
 - I. Direct or indirect significant influence or control over the investees for the year ended December 31, 2021 (excluding investments in China): Please refer to Table 7.
 - J. Derivative financial instrument transactions: Please refer to Note 12.
 - K. Others: intercompany relationships and significant intercompany transactions for the year ended December 31, 2021: Please refer to Table 9.

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(2) Information on investments in Mainland China: Please refer to Table 8.

(3) Information on major shareholders: Please refer to Table 10.

14. Operating Segment

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

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

The overseas segment owns manufacturing and sales functions.

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

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

(1) Segment income (loss)

For the year ended December 31, 2021

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 5,945,864	\$ 3,459,138	\$ -	\$ 9,405,002
Inter-segment	2,106,427	1,499,933	(3,606,360)	-
Total revenue	<u>\$ 8,052,291</u>	<u>\$ 4,959,071</u>	<u>\$ (3,606,360)</u>	<u>\$ 9,405,002</u>
Segment income (loss) (before income tax)	<u>\$ 914,274</u>	<u>\$ 141,224</u>	<u>\$ (114,684)</u>	<u>\$ 940,814</u>

Note: Inter-segment revenues were eliminated upon consolidation.

For the year ended December 31, 2020

	General Management	Overseas	Adjustment and Elimination (Note)	Consolidated
Revenue				
External customer	\$ 5,598,777	\$ 3,167,541	\$ -	\$ 8,766,318
Inter-segment	2,180,177	954,564	(3,134,741)	-
Total revenue	<u>\$ 7,778,954</u>	<u>\$ 4,122,105</u>	<u>\$ (3,134,741)</u>	<u>\$ 8,766,318</u>
Segment income (loss) (before income tax)	<u>\$ 932,762</u>	<u>\$ 96,800</u>	<u>\$ (63,765)</u>	<u>\$ 965,797</u>

Note: Inter-segment revenues were eliminated upon consolidation.

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Assets of the Group's operating segments as of December 31, 2021 and 2020 were summarized below:

	General Management	Overseas	Adjustment and Elimination	Consolidated
As of December 31, 2021	\$ 10,963,994	\$ 5,769,826	\$ (2,658,940)	\$ 14,074,880
As of December 31, 2020	\$ 8,560,493	\$ 5,382,204	\$ (2,410,782)	\$ 11,531,915

(2) Geographic information

A. Revenue from external customers:

Region	Years Ended December 31	
	2021	2020
Taiwan	\$ 2,751,874	\$ 2,446,463
Mainland China	6,491,687	5,982,093
Others	161,441	337,762
Total	\$ 9,405,002	\$ 8,766,318

Revenue was categorized based on countries where customers are located.

B. Non-current assets:

Region	December 31, 2021	December 31, 2020
Taiwan	\$ 3,539,163	\$ 2,993,662
Mainland China	978,758	956,452
Total	\$ 4,517,921	\$ 3,950,114

(3) Major customers

Customers accounted for at least 10% of the Group's operating revenue for the years ended December 31, 2021 and 2020 were as follows:

Name	Years Ended December 31	
	2021	2020
Customer A	\$ 1,064,332	\$ 874,551
Customer B	1,040,528	1,087,687
Customer C	1,007,578	1,238,579

TABLE 1: FINANCING PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Whether A Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Note 10)	Amount Actually Drawn (Note 11)	Interest Rate Range	Nature of Financing (Note 4)	Transaction Amount (Note 5)	Reason for Short-term Financing (Note 6)	Loss Allowance	Collateral		Financing Limit for Individual Borrower	Limit on Total Financing Amount	Note
													Item	Value			
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	\$ 228,040	\$ 221,520	\$ -	1.70%~4.00%	2	-	Operating capital	-	-	-	\$ 1,553,059	\$ 3,106,118	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	399,070	138,450	-	1.70%~4.00%	2	-	Operating capital	-	-	-	1,553,059	3,106,118	(Note 7)
1	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	608,678	608,678	391,293	2.00%~4.00%	2	-	Operating capital	-	-	-	785,463	785,463	(Note 9)
1	Kunshan Taiflex Electronic Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	174,604	86,954	86,954	2.00%~4.00%	2	-	Operating capital	-	-	-	785,463	785,463	(Note 9)

Note 1: Companies are coded as follows:

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

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

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

Note 3: The maximum balance of financing provided to others for the year ended December 31, 2021.

Note 4: Nature of Financing is coded as follows:

(1) Business transaction is coded "1".

(2) Short-term financing is coded "2".

Note 5: If the nature of financing is business transaction, the amount of transaction shall be disclosed. The amount of transaction refers to the business transaction amount of the most recent year between the financing company and the borrower.

Note 6: With respect to short-term financing, the reasons of financing and the purpose of use by the counterparty shall be specified, such as loan repayment, equipment acquisition or operating capital.

Note 7: The Company's "Procedures for Lending Funds to Other Parties" stipulates that the amount of financing provided shall not exceed 40% of the Company's net worth in the most recent financial statements. The amount of financing provided to any single entity shall not exceed 20% of the Company's net worth in the most recent financial statements.

Note 8: Total amount of financing to firms or companies having business relationship with the Company shall not exceed 20% of the Company's net worth. The financing amount to an individual party is limited to the transaction amount between both parties. The transaction amount means the purchase or sales amount between the parties, whichever is higher, and shall not exceed 10% of the Company's net worth. However, the lending amount to a single enterprise whose voting rights are 100% held, either directly or indirectly, by the Company shall not exceed 20% of the Company's net worth.

Note 9: For financing between offshore companies that the Company holds, either directly and indirectly, 100% of the voting rights, both the financing provided to any single entity and the total financing shall not exceed 100% of the financing company's net worth in the most recent financial statements.

Note 10: If public companies, pursuant to Paragraph 1, Article 14 of Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies, resolve each individual lending at the board meetings, the amounts resolved before drawdown shall be the publicly-announced balance to disclose the risk they assume; provided however, if any repayment is made subsequently, the outstanding balance after such repayment shall be disclosed to reflect the risk adjusted. If public companies, pursuant to Paragraph 2, Article 14 of the same Regulations, authorize the chairperson by board resolution, within a certain monetary limit and a period not to exceed one year, to give loans in instalments or to make a revolving credit line available, the amount resolved shall be the publicly-announced balance. Although repayments may be made subsequently, as drawdowns are likely to happen again, the amount of financing resolved by the board shall be recorded as the publicly-announced balance.

Note 11: This is the ending balance after evaluation.

TABLE 2: ENDORSEMENT/GUARANTEE PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to A Single Entity (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement/ Guarantee Secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement Provided by Parent Company to Subsidiaries (Note 7)	Endorsement Provided by Subsidiaries to Parent Company (Note 7)	Endorsement Provided to Subsidiaries in China (Note 7)
		Name	Relationship (Note 2)										
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	2	\$ 3,882,648	\$ 490,175	\$ 470,730	\$ 2,871	\$ -	6.06%	\$ 3,882,648	Y	N	Y
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	2	3,882,648	293,648	130,431	-	-	1.68%		Y	N	Y

Note 1: Companies are coded as follows:

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

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

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

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

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

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

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

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

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

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

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

Note 4: The maximum endorsement/guarantee balance for the year ended December 31, 2021.

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

Note 6: This is the ending balance after evaluation.

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

TABLE 3: MARKETABLE SECURITIES HELD AS OF DECEMBER 31, 2021 (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

(In Thousands of New Taiwan Dollars)

Holder of Marketable Securities	Type of Marketable Securities (Note 1)	Name of Marketable Securities (Note 1)	Relationship with the Issuer (Note 2)	Financial Statement Account	December 31, 2021				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	372,637	6.90%	372,637	-
	Listed stocks	Zhen Ding Technology Holding Limited	-	Financial assets at fair value through profit or loss - current	255	25,590	0.03%	25,590	-

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: INDIVIDUAL SECURITIES ACQUIRED OR DISPOSED OF WITH ACCUMULATED AMOUNT OF AT LEAST NT\$300 MILLION OR 20 PERCENT OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)				Ending Balance	
					Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Selling Price	Carrying Amount	Gain/Loss on Disposal	Shares (In Thousands)	Amount (Note 5)
Taiflex Scientific Co., Ltd.	APAQ Technology Co., Ltd.	Financial assets at fair value through other comprehensive income - non-current	-	-	-	-	6,139	\$ 388,259	-	-	-	-	6,139	\$ 372,637

Note 1: Marketable securities stated in this table refer to stocks, bonds, beneficiary certificates and securities derived from the said items.

Note 2: For marketable securities recognized under investments accounted for using the equity method, information concerning these two columns shall be provided.

Note 3: The calculation of accumulated acquisition or disposal amount shall be done separately when determining whether the threshold of at least NT\$300 million or 20 percent of the paid-in capital has been reached.

Note 4: The paid-in capital refers to the parent company's paid-in capital. For stocks with no par value or a par value other than NT\$10, the threshold of 20 percent of the paid-in capital shall be replaced by 10 percent of equity attributable to shareholders of the parent on the balance sheets.

Note 5: The ending balance includes unrealized gain/loss of financial assets.

TABLE 5: 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	\$ 1,373,948	17.91%	180 days from the end of month	-	-	\$ 956,593	33.24%	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	528,751	6.89%	180 days from the end of month	-	-	310,223	10.78%	-
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	1,373,948	52.25%	180 days from the end of month	-	-	(956,593)	(58.43%)	-
Shenzhen Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	Purchases	1,246,092	47.38%	180 days from the end of month	-	-	(675,538)	(41.26%)	-
Kunshan Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	528,751	71.02%	180 days from the end of month	-	-	(310,223)	(73.75%)	-
Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	Purchases	172,031	23.11%	180 days from the end of month	-	-	(100,958)	(24.00%)	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	Sales	1,246,092	86.52%	180 days from the end of month	-	-	675,538	83.16%	-
Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	The company's associate	Sales	172,031	11.94%	180 days from the end of month	-	-	100,958	12.43%	-

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 6: 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	\$ 956,593	1.41	-	-	\$ 276,057	-	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	310,223	2.90	-	-	75,476	-	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	17	(Note 1)	-	-	9	-	-
Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Holds 100% of the third-tier subsidiary	67,524	1.57	-	-	19,760	-	-
Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Holds 100% of the third-tier subsidiary	52,180	(Note 1)	-	-	9,105	-	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	675,538	1.78	-	-	67,813	-	-
Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	The company's associate	100,958	3.03	-	-	96,892	-	-
Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	The company's associate	7	(Note 1)	-	-	7	-	-
Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	391,293	(Note 1)	-	-	-	-	-

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

TABLE 7: INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE OR CONTROL DIRECTLY OR INDIRECTLY (EXCLUDING INVESTEEES IN MAINLAND CHINA)

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				December 31, 2021	December 31, 2020	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%	\$ 815,530	\$ 32,491	\$ 32,491	(Note 2)
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	585	-	-	-
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	320,761	294,102	13,700	53.86%	234,040	21,562	11,916	(Note 2)
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	98,101	102,894	3,787	14.37%	28,793	10,060	1,351	-
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	505,886	22,333	15,708	(Note 2)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	1,316,239	1,062,808	44,000	73.94%	1,505,966	79,646	57,313	-
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	15,824	247	247	-
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	8,820	1	100.00%	8,946	376	376	-
Taiflex Scientific Co., Ltd.	Geckos Technology Corp.	Taiwan	Manufacturing and selling of electronic materials	28,699	28,699	2,524	29.19%	12,253	(28,799)	(9,317)	-
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor materials	246,000	66,000	17,000	100.00%	231,496	(9,944)	(9,920)	(Note 1)
Taiflex Scientific Co., Ltd.	Taiflex Green Power Co., Ltd.	Taiwan	Generation and selling of electricity from renewables	20,000	-	2,000	100.00%	19,926	(76)	(74)	(Note 1)
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	26.06%	530,853	79,646	22,333	-
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	785,528	33,822	33,822	-
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	28,649	28,649	960	100.00%	18,048	588	588	-
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	28,500	28,500	955	100.00%	18,277	588	588	-

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

Note 2: Including unrealized gain/loss between companies.

TABLE 8: 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, 2021	Investment Flows		Accumulated Outflows of Investment from Taiwan as of December 31, 2021	Profit/Loss of Investee	Ownership Percentage (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2021	Accumulated Inward Remittances of Earnings as of December 31, 2021
						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	\$ 33,822	100.00%	\$ 33,822	\$ 785,463	\$ 135,257
	Rudong Fuzhan Scientific Co., Ltd.	Manufacturing and selling of electronic materials	\$1,316,239 (US\$44,000,000)	2	1,062,808	253,431	-	1,316,239	17,336	100.00%	17,336	1,347,592	-
	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	62,312	100.00%	62,312	689,169	-
Koatech Technology Corporation	Kunshan Koatech Technology Corporation	A wholesaler and a commission agent of electronic materials and components	\$28,351 (US\$950,000)	2	28,351	-	-	28,351	588	53.86%	317	9,838	-
Accumulated Outflows of Investment from Taiwan to Mainland China as of December 31, 2021					Investment Amounts Authorized by the Investment Commission, MOEA					Upper Limit on Investment			
Taiflex Scientific Co., Ltd.			\$2,562,540	\$2,580,303					(Note 3)				
Koatech Technology Corporation			\$28,351	\$140,222					(Note 4) \$194,745				

Note 1: The methods for investment in Mainland China are categorized into the following three types. Please specify the type.

- (1) Direct investment in Mainland China.
- (2) Investment in Mainland China through companies in the third area.
- (3) Others.

Note 2: Significant transactions with the investees in China, either directly or indirectly through the third area, and the relevant prices, payment terms and unrealized gains or losses:

- (1) Purchase and ending balance of related payables and their weightings: see Table 5.
- (2) Sales and ending balance of related receivables and their weightings: see Tables 5 and 6.
- (3) The transaction amount and gain or loss arising from property transactions: see Table 4.
- (4) Ending balance of endorsements/guarantees or collateral provided and the purposes: see Table 2.
- (5) Maximum balance, ending balance, interest rate range and total interest of current period from financing provided to others: see Table 1.
- (6) Transactions that have significant impact on profit or loss of the current period or the financial position, such as services rendered or received: N/A.

Note 3: The Company received official documents issued by the Industrial Development Bureau, Ministry of Economic Affairs certifying the Company being qualified for operating headquarters in May 2019. Thus, the limit stipulated in the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China" does not apply.

Note 4: The upper limit on investment is calculated as follows:

Koatech Technology Corporation: NT\$324,575 thousand × 60% = NT\$194,745 thousand

TABLE 9: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2021

(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	\$ 1,373,948	General trading terms	14.61%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	956,593	General trading terms	6.80%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Sales revenue	528,751	General trading terms	5.62%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Accounts receivable	310,223	General trading terms	2.20%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Other receivables	17	General trading terms	0.00%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Accounts receivable	67,524	General trading terms	0.48%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Other receivables	52,180	General trading terms	0.37%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Sales revenue	1,246,092	General trading terms	13.25%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Accounts receivable	675,538	General trading terms	4.80%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Sales revenue	172,031	General trading terms	1.83%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Accounts receivable	100,958	General trading terms	0.72%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Other receivables	7	General trading terms	0.00%
2	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	3	Other receivables	391,293	General trading terms	2.78%

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

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

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

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

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

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

Note 4: This is the ending balance after evaluation.

TABLE 10: INFORMATION ON MAJOR SHAREHOLDERS

(In Shares)

Name of Major Shareholder	Share	Total Shares Owned	Ownership Percentage
Chang Wah Electromaterials Inc.		17,094,000	8.17%
Qiao Mei Development Corporation		16,263,729	7.77%
BaoJie Funds in custody of Standard Chartered Bank Main Branch		11,970,120	5.72%

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.

Independent Auditors' Report

To Taiflex Scientific Co., Ltd.

Audit opinion

We have audited the parent company only balance sheets of Taiflex Scientific Co., Ltd. (hereinafter referred to as “Taiflex” or the “Company”) as of December 31, 2021 and 2020; and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to parent company only financial statements (including a summary on significant accounting policies).

In our opinion, the aforementioned parent company only financial statements present fairly, in all material respects, the parent company only financial status of Taiflex as of December 31, 2021 and 2020, and its parent company only financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for audit opinion

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

Key audit matters

Key audit matters are ones that were of most significance in our audit of the parent company only financial statements of Taiflex for the year ended December 31, 2021 based on our professional judgment. These matters have been covered during the audit of the overall parent company only financial statements and in forming the audit opinion. We will not express a separate opinion on these matters. Key audit matters to be communicated on the independent auditors' report are stated as follows:

1. Impairment of receivables

Net receivables generated from the selling of flexible copper-clad laminate and cover layer amounted to NT\$2,877,431 thousand and accounted for 21% of Taiflex's total assets as of December 31, 2021. Hence, it was considered a material item to the Company. Loss allowance for accounts receivables was measured at an amount equal to lifetime expected credit losses. As the measurement of expected credit losses involved judgment, analysis and estimation and the outcome would affect the net accounts receivables, the impairment of receivables was identified as a key audit matter.

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

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

2. Inventory valuation

As of December 31, 2021, net inventories of flexible copper-clad laminate and cover layer amounted to NT\$1,264,356 thousand; thus, it was a significant item to Taiflex. Due to uncertainties arising from rapid changes in product technologies, allowance for inventory obsolescence and valuation losses involved significant judgment of management. Hence, it was considered a key audit item.

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

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

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

The responsibilities of management are to prepare the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintain necessary internal controls associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

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

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

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

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

We have utilized our professional judgment and maintained professional doubt when exercising auditing work according to the auditing standards generally accepted in the Republic of China. We also perform the following tasks:

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

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

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

From the matters communicated with governance bodies, we determine the key audit matters within the audit of Taiflex's parent company only financial statements for the year ended December 31, 2021. We have clearly indicated such matters in the independent auditors' report, unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the independent auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Ernst & Young, Taiwan

February 23, 2022

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2021	December 31, 2020
Current assets			
Cash and cash equivalents	4, 6(1)	\$ 2,475,183	\$ 1,207,757
Financial assets at fair value through profit or loss - current	4, 6(2)	27,529	29,832
Financial assets at amortized cost - current	4, 6(3)	276,900	138,719
Notes receivable, net	4, 6(4)	947	1,578
Accounts receivable, net	4, 6(5)	1,541,995	1,863,251
Accounts receivable – related parties	6(5), 7	1,334,489	1,086,180
Other receivables		37,329	42,862
Other receivables – related parties	7	52,948	125,657
Inventories, net	4, 6(6)	1,264,356	881,132
Prepayments		15,959	31,654
Other current assets	8	22,177	21,439
Total current assets		7,049,812	5,430,061
Non-current assets			
Financial assets at fair value through other comprehensive income - non-current	4, 6(7)	372,637	-
Investments accounted for using the equity method	4, 6(8)	3,379,245	2,794,135
Property, plant and equipment	4, 6(9)	2,159,881	2,193,741
Right-of-use assets	4, 6(20)	241,961	251,158
Intangible assets	4, 6(10)	91,212	50,467
Deferred income tax assets	4, 6(22)	126,798	131,151
Prepayments for investments	4, 6(8)	26,659	-
Other non-current assets	4, 6(11)	7,144	6,384
Total non-current assets		6,405,537	5,427,036
Total assets		\$ 13,455,349	\$ 10,857,097

(Continued)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY BALANCE SHEETS-(Continued)
December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2021	December 31, 2020
Current liabilities			
Short-term loans	6(12)	\$ 780,000	\$ 150,000
Financial liabilities at fair value through profit or loss - current	4, 6(13)	10,697	11,294
Contract liabilities - current	4, 6(17)	957	492
Notes payable		-	12
Accounts payable		1,120,605	1,413,506
Accounts payable – related parties	7	33,887	11,091
Other payables		478,021	476,475
Other payables – related parties	7	26,123	18,497
Current income tax liabilities	4, 6(22)	128,609	266,652
Lease liabilities - current	4, 6(20)	8,896	10,554
Current portion of long-term loans	6(14)	50,000	25,000
Other current liabilities		2,875	1,981
Total current liabilities		<u>2,640,670</u>	<u>2,385,554</u>
Non-current liabilities			
Bonds payable	6(14)	1,855,472	-
Long-term loans	6(15)	594,850	415,630
Deferred income tax liabilities	4, 6(22)	111,660	89,607
Lease liabilities - non-current	4, 6(20)	238,712	244,484
Net defined benefit liabilities - non-current	4, 6(16)	248,689	261,958
Total non-current liabilities		<u>3,049,383</u>	<u>1,011,679</u>
Total liabilities		<u>5,690,053</u>	<u>3,397,233</u>
Equity			
Capital	6(17)		
Common stock		2,091,197	2,091,197
Capital surplus	6(17)	1,145,766	1,066,147
Retained earnings			
Legal reserve		1,014,369	939,900
Special reserve		234,299	230,993
Unappropriated earnings		3,515,661	3,365,926
Total retained earnings		<u>4,764,329</u>	<u>4,536,819</u>
Others	4	(235,996)	(234,299)
Total equity		<u>7,765,296</u>	<u>7,459,864</u>
Total liabilities and equity		<u>\$ 13,455,349</u>	<u>\$ 10,857,097</u>

(Concluded)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

	Notes	2021	2020
Operating revenue	4, 6(18), 7	\$ 7,671,215	\$ 7,491,041
Operating costs	4, 6(6, 21), 7	<u>(5,895,089)</u>	<u>(5,703,657)</u>
Gross profit		1,776,126	1,787,384
Unrealized sales profit or loss		-	(1,255)
Realized sales profit or loss		5,243	-
Gross profit, net		<u>1,781,369</u>	<u>1,786,129</u>
Operating expenses	4, 6(21)		
Sales and marketing expenses		(382,637)	(301,917)
General and administrative expenses		(308,223)	(257,229)
Research and development expenses		(284,484)	(260,938)
Expected credit gains	6(19)	3,472	7,669
Total operating expenses		<u>(971,872)</u>	<u>(812,415)</u>
Operating income		<u>809,497</u>	<u>973,714</u>
Non-operating income and expenses	6(21)		
Interest income		1,474	5,168
Other income		31,766	24,984
Other gains and losses		(22,581)	(116,375)
Finance costs		(17,516)	(15,318)
Share of profit or loss of subsidiaries and associates accounted for using the equity method	4, 6(8)	<u>100,091</u>	<u>42,685</u>
Total non-operating income and expenses		<u>93,234</u>	<u>(58,856)</u>
Income from continuing operations before income tax		902,731	914,858
Income tax expense	4, 6(22)	<u>(168,077)</u>	<u>(141,999)</u>
Net income of continuing operations		<u>734,654</u>	<u>772,859</u>
Net income		<u>734,654</u>	<u>772,859</u>
Other comprehensive income (loss)	6(21)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan		19,569	(35,220)
Unrealized losses on investments in equity instruments at fair value through other comprehensive income		(15,622)	-
Income tax related to items that will not be reclassified subsequently	6(22)	(3,914)	7,044
Items that may be reclassified subsequently to profit or loss	6(21)		
Exchange differences on translation of foreign operations		17,406	(4,132)
Income tax related to items that may be reclassified subsequently	6(22)	<u>(3,481)</u>	<u>826</u>
Total other comprehensive income (loss), net of tax		<u>13,958</u>	<u>(31,482)</u>
Total comprehensive income		<u>\$ 748,612</u>	<u>\$ 741,377</u>
Earnings per share (NT\$)	4, 6(23)		
Earnings per share - basic		<u>\$ 3.51</u>	<u>\$ 3.70</u>
Earnings per share - diluted		<u>\$ 2.98</u>	<u>\$ 3.67</u>

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

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

Item	Retained Earnings					Others		Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain/Loss on Financial Assets at Fair Value through Other Comprehensive Income	
Balance as of January 1, 2020	\$ 2,091,197	\$ 1,342,759	\$ 882,821	\$ 166,117	\$ 2,994,142	\$ (224,393)	\$ (6,600)	\$ 7,246,043
Appropriation and distribution of 2019 earnings								
Legal reserve			57,079		(57,079)			-
Special reserve				64,876	(64,876)			-
Cash dividends for common stocks					(250,944)			(250,944)
Changes in other capital surplus								
Adjustments to share of changes in equities of associates		(4,852)						(4,852)
Cash dividends from capital surplus		(271,855)						(271,855)
Changes in other capital surplus		95						95
Net income for the year ended December 31, 2020					772,859			772,859
Other comprehensive income (loss) for the year ended December 31, 2020					(28,176)	(3,306)		(31,482)
Total comprehensive income	-	-	-	-	744,683	(3,306)	-	741,377
Balance as of December 31, 2020	<u>\$ 2,091,197</u>	<u>\$ 1,066,147</u>	<u>\$ 939,900</u>	<u>\$ 230,993</u>	<u>\$ 3,365,926</u>	<u>\$ (227,699)</u>	<u>\$ (6,600)</u>	<u>\$ 7,459,864</u>
Balance as of January 1, 2021	\$ 2,091,197	\$ 1,066,147	\$ 939,900	\$ 230,993	\$ 3,365,926	\$ (227,699)	\$ (6,600)	\$ 7,459,864
Appropriation and distribution of 2020 earnings								
Legal reserve			74,469		(74,469)			-
Special reserve				3,306	(3,306)			-
Cash dividends for common stocks					(522,799)			(522,799)
Changes in other capital surplus								
Due to recognition of equity component of convertible bonds - stock options		70,203						70,203
Adjustments to share of changes in equities of associates		9,416						9,416
Net income for the year ended December 31, 2021					734,654			734,654
Other comprehensive income (loss) for the year ended December 31, 2021					15,655	13,925	(15,622)	13,958
Total comprehensive income	-	-	-	-	750,309	13,925	(15,622)	748,612
Balance as of December 31, 2021	<u>\$ 2,091,197</u>	<u>\$ 1,145,766</u>	<u>\$ 1,014,369</u>	<u>\$ 234,299</u>	<u>\$ 3,515,661</u>	<u>\$ (213,774)</u>	<u>\$ (22,222)</u>	<u>\$ 7,765,296</u>

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

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Income before income tax	\$ 902,731	\$ 914,858
Adjustments:		
Non-cash income and expense items:		
Depreciation	280,706	271,091
Amortization	19,555	16,643
Expected credit gains	(3,472)	(7,669)
Net (gain) loss on financial assets (liabilities) at fair value through profit or loss	12,631	15,997
Interest expense	17,516	15,318
Interest income	(1,474)	(5,168)
Share of profits of subsidiaries and associates accounted for using the equity method	(100,091)	(42,685)
Loss (gain) on disposal of property, plant and equipment	7,348	(35)
Impairment loss for non-financial assets	-	24,000
Others	34,660	18,605
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets mandatorily at fair value through profit or loss	(15,399)	4,640
Decrease in notes receivable	631	1,362
Decrease (increase) in accounts receivable	324,728	(429,366)
Increase in accounts receivable – related parties	(248,309)	(18,129)
Decrease (increase) in other receivables	5,539	(23,980)
Decrease (increase) in other receivables – related parties	72,709	(82,545)
Increase in inventories	(418,603)	(272,732)
Decrease (increase) in prepayments	5,850	(8,976)
(Increase) decrease in other current assets	(707)	395
Increase in contract liabilities	465	492
(Decrease) increase in notes payable	(12)	12
(Decrease) increase in accounts payable	(292,901)	633,237
Increase in accounts payable – related parties	22,796	7,999
(Decrease) increase in other payables	(16,422)	59,099
Increase (decrease) in other payables – related parties	7,626	(2,697)
(Decrease) increase in other current liabilities	(5,260)	1,140
Increase in net defined benefit liabilities	6,300	7,188
Cash generated from operations	<u>619,141</u>	<u>1,098,094</u>
Interest received	1,468	5,164
Interest paid	(11,354)	(11,197)
Income tax paid	(287,109)	(11,582)
Net cash generated by operating activities	<u>322,146</u>	<u>1,080,479</u>

(Continued)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS-(Continued)
For the Years Ended December 31, 2021 and 2020
(In Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from investing activities:		
Acquisition of investments in equity instruments at fair value through other comprehensive income – non-current	\$ (388,259)	\$ -
Acquisition of financial assets at amortized cost	(138,181)	(89,719)
Acquisition of financial assets at fair value through profit or loss	-	(1,322)
Acquisition of investments accounted for using the equity method	(453,431)	(188,549)
Disposal of investments accounted for using the equity method	3,000	-
Increase in prepayments for investments	(26,659)	-
Acquisition of property, plant and equipment	(285,312)	(300,415)
Disposal of property, plant and equipment	4,299	35
Increase in refundable deposits	(760)	-
Decrease in refundable deposits	-	1,524
Decrease in other receivables – related parties	-	416,666
Acquisition of intangible assets	(11,389)	(14,161)
Increase in other current assets - other financial assets	(31)	(50)
Dividends received	-	142,771
Net cash used in investing activities	<u>(1,296,723)</u>	<u>(33,220)</u>
Cash flows from financing activities:		
Increase in short-term loans	630,000	-
Decrease in short-term loans	-	(520,000)
Issuance of corporate bonds	1,945,300	-
Increase in long-term loans	204,220	-
Repayment of long-term loans	-	(459,370)
Decrease in payables	-	95
Repayment of lease principal	(14,718)	(15,930)
Distribution of cash dividends	(522,799)	(522,799)
Net cash generated by (used in) financing activities	<u>2,242,003</u>	<u>(1,518,004)</u>
Net increase (decrease) in cash and cash equivalents	1,267,426	(470,745)
Cash and cash equivalents at beginning of period	<u>1,207,757</u>	<u>1,678,502</u>
Cash and cash equivalents at end of period	<u>\$ 2,475,183</u>	<u>\$ 1,207,757</u>

(Concluded)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the Years Ended December 31, 2021 and 2020

(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 and cover layer. On September 30, 2020, the Company spun off its advanced material operation to set up the wholly-owned subsidiary, Taichem Materials Co., Ltd. The shares of the Company commenced trading on Taipei Exchange on December 19, 2003 and were listed on the Taiwan Stock Exchange on December 17, 2009.

2. Date and Procedures of Authorization of Financial Statements

The parent company only financial statements of the Company for the years ended December 31, 2021 and 2020 were approved and authorized for issue in the Board of Directors’ meeting on February 23, 2022.

3. Newly Issued or Revised Standards and Interpretations

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

The Company has adopted International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations and SIC interpretations endorsed by the Financial Supervisory Commission (FSC) to take effect for annual periods beginning on January 1, 2021. The first-time adoption does not have any material impact on the Company.

(2) The Company has yet to adopt the following new, revised or amended standards and interpretations issued by International Accounting Standards Board (IASB) and endorsed by FSC:

No.	Projects of New or Amended Standards and Interpretations	Effective Date
IFRS 3, IAS 16 and IAS 37	Narrow-scope Amendments to IFRSs and Annual Improvements	January 1, 2022

A. Narrow-scope Amendments to IFRSs, Including Amendments to IFRS 3, IAS 16 and IAS 37, and Annual Improvements

(a) Updating the reference to the conceptual framework (Amendments to IFRS 3)

The amendments replace the old reference to the conceptual framework of financial reporting and update IFRS 3 with the latest reference published in March 2018. In addition, an exception is added to the recognition principle to avoid the possible “day 2” gains or losses from liabilities and contingent liabilities. The amendments also clarify the existing guidance of contingent assets not affected by the replaced reference to the conceptual framework.

(b) Property, plant and equipment: Proceeds before intended use (Amendments to IAS 16)

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

The amendments ban companies against deducting sales proceeds of items produced while companies are preparing assets for their intended use from the cost of property, plant and equipment. Instead, the proceeds and relevant costs shall be recognized in profit or loss.

(c) Onerous contracts – Cost of fulfilling a contract (Amendments to IAS 37)

The amendments clarify costs to be included when assessing whether a contract is onerous.

(d) Annual improvements to IFRSs 2018-2020 cycle

Amendments to IFRS 1

The amendments simplify the adoption of IFRS 1 concerning measurement of cumulative translation differences for a subsidiary that adopts IFRSs for the first time later than its parent company.

Amendments to IFRS 9 “Financial Instruments”

The amendments clarify fees included when companies assess whether new or amended contract clauses of financial liabilities are significantly different from clauses of the original financial liabilities.

Amendments to illustrative examples of IFRS 16 “Leases”

This is to amend lease incentives associated with leasehold improvement of lessees in illustrative example 13.

Amendments to IAS 41

The amendments remove the requirement to exclude cash flows from taxation when measuring fair value in order for the fair value measurement requirements in IAS 41 to be consistent with relevant requirements in other IFRSs.

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, 2022. The aforementioned standards or interpretations do not have any material impact on the Company.

- (3) As of the date of issuance of the financial statements, the Company has not adopted the following new, revised or amended standards and interpretations issued by IASB but not yet endorsed by FSC:

No.	Projects of New or Amended Standards and Interpretations	Effective Date
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 17	Insurance Contracts	January 1, 2023
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IAS 1	Disclosure Initiative – Accounting Policies	January 1, 2023

(Continued)

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

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

(Concluded)

- 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.

- 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 June 2020. 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, the 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”).

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

C. Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments aim at paragraphs 69 to 76 of IAS 1 “Presentation of Financial Statements” where liabilities are classified as current or non-current.

D. Disclosure Initiative – Accounting Policies (Amendments to IAS 1)

The amendments are to improve accounting policy disclosures so that investors and other primary users of the financial statements can obtain more useful information.

E. Definition of Accounting Estimates (Amendments to IAS 8)

The amendments define accounting estimates and revise IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” to help companies distinguish between a change in an accounting policy and a change in an accounting estimate.

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

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

For the aforementioned standards and interpretations issued by IASB but not yet endorsed by FSC, the effective dates are to be determined by FSC. The potential effects of the new, revised and amended standards or interpretations in paragraphs A and C to F on the Company are under assessment; thus, they cannot be reasonably estimated. The adoption of other newly issued or revised standards and interpretations does not have any material impact on the Company.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The parent company only financial statements for the years ended December 31, 2021 and 2020 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRIC interpretations and SIC interpretations endorsed by FSC.

(2) Basis of preparation

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

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

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

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

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

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

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

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

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

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

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

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

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

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(5) Cash and cash equivalents

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

(6) Financial instruments

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

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

A. Recognition and measurement of financial assets

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

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

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

Financial assets at amortized cost

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

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

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

B. Impairment of financial assets

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

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

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

The loss allowance is measured as follows:

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

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

C. Derecognition of financial assets

The Company derecognizes a financial asset when

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

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

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D. Financial liabilities and equity instruments

Classification of liability and equity

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

Equity instruments

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

Compound instruments

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

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

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

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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Financial liabilities are classified as held for trading when

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

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

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

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

Financial liabilities at amortized costs

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

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

Derecognition of financial liabilities

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

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

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E. Offsetting of financial assets and financial liabilities

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

(7) Derivative instrument

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

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

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

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in one of the following markets:

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

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

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

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

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

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(9) Inventories

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

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

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

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

(10) Investments accounted for using the equity method

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

A. Investment in subsidiaries

A subsidiary is an entity controlled by the Company.

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

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

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

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

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

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

B. Investment in associates

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

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

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

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

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

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basis.

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

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

(11) Property, plant and equipment

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

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

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

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

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

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(12) Borrowing costs

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

(13) Intangible assets

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

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

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

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

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

In-process intangible assets - research and development costs

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

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

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

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(14) Impairment of non-financial assets

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

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

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

(15) Provisions

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

(16) Revenue recognition

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

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

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

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

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(17) Leases

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

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

For contracts that are (or contain) leases, the Company accounts for each lease component as a lease and handles separately from the non-lease components within the contracts. For contracts that contain one lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contracts to the lease component on the basis of the relative stand-alone price of each lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone prices of lease and non-lease components are determined based on the prices that the lessor (or a similar supplier) would charge for those components (or similar components) separately. If an observable stand-alone price is not readily available, the Company would maximize the use of observable information to estimate the stand-alone price.

The Company being a lessee

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

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

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

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

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

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

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

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

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

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

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

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

The Company being a lessor

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

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

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

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(18) Post-employment benefit plans

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

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

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The remeasurements of net defined benefit liability (asset) include return on plan assets and any changes in the effect of the asset ceiling, and exclude amounts included in the net interest on the net defined benefit liability (asset) and actuarial gains and losses.

The remeasurements of net defined benefit liability (asset) are recognized in other comprehensive income in the periods they occur and immediately recognized in the retained earnings. Past service cost is the change in the present value of defined benefit obligation due to plan amendments or curtailments. It is recognized as an expense at the earlier of the following two dates:

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

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

(19) Income tax

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

Current income tax

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

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

Deferred income tax

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

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

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

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

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

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

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

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

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

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

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(1) Fair value of financial instruments

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

(2) Receivables – impairment loss estimate

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

(3) Inventories

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

(4) Post-employment benefit plans

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

(5) Income tax

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

Deferred income tax assets are recognized for unused tax losses, carryforward of unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred income tax assets to be recognized is based upon the likely timing and the level of future taxable income and taxable temporary differences together with future tax planning strategies. Deferred income tax assets which have not been recognized by the Company as of December 31, 2021 are disclosed in Note 6(22).

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6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and petty cash	\$ 333	\$ 333
Bank deposits	2,474,850	1,207,424
Total	<u>\$ 2,475,183</u>	<u>\$ 1,207,757</u>

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

	December 31, 2021	December 31, 2020
Mandatorily at fair value through profit or loss:		
Derivative instruments not designated in a hedging relationship		
- Forward foreign exchange contracts	\$ 1,939	\$ 423
- Stocks	25,590	29,409
Total	<u>\$ 27,529</u>	<u>\$ 29,832</u>

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

(3) Financial assets at amortized cost – current

	December 31, 2021	December 31, 2020
Time deposits – current	\$ 276,900	\$ 79,000
Bank deposits – restricted	-	59,719
Total	<u>\$ 276,900</u>	<u>\$ 138,719</u>

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

The Company has been approved by the National Taxation Bureau under Ministry of Finance pursuant to the “Regulations on Industries Investment from Repatriated Offshore Funds” with investment plans approved by the Ministry of Economic Affairs. In accordance with the Regulations, the money cannot be used for purposes other than the ones approved by the competent authorities. The Company proceeded according to the plans this year.

(4) Notes receivable, net

	December 31, 2021	December 31, 2020
Notes receivable, net	<u>\$ 947</u>	<u>\$ 1,578</u>

The Company's notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6(18) for details on loss allowance and Note 12 for credit risk.

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(5) Accounts receivable, net

	December 31, 2021	December 31, 2020
Accounts receivable	\$ 1,549,907	\$ 1,875,424
Less: Loss allowance	(7,912)	(12,173)
Subtotal	1,541,995	1,863,251
Accounts receivable – related parties	1,334,489	1,086,180
Total	\$ 2,876,484	\$ 2,949,431

- A. The Company's accounts receivables were not pledged.
- B. The credit terms of accounts receivables are generally set at 60 to 180 days from the end of month. The gross carrying amounts were NT\$2,884,396 thousand and NT\$2,961,604 thousand as of December 31, 2021 and 2020, respectively. Please refer to Note 6(19) for loss allowance for the years ended December 31, 2021 and 2020 and Note 12 for credit risk.
- C. The Company entered into factoring agreements without recourse with banks for accounts receivable selected. The details as of December 31, 2021 and 2020 were as follows:

December 31, 2021				
Factor	Amount of Accounts Receivable	Amount of Factoring	Condition	Unreceived Amount (Recorded as Other Receivables)
CTBC Bank	US\$2,988 thousand	US\$2,988 thousand	Without recourse	-
Taishin International Bank	US\$1,106 thousand	US\$1,106 thousand	Without recourse	-
Taipei Fubon Bank	US\$6,513 thousand	US\$6,513 thousand	Without recourse	-
Bank of Taiwan	US\$8,206 thousand	US\$8,206 thousand	Without recourse	-
December 31, 2020				
Factor	Amount of Accounts Receivable	Amount of Factoring	Condition	Unreceived Amount (Recorded as Other Receivables)
CTBC Bank	US\$623 thousand	US\$623 thousand	Without recourse	-
Taishin International Bank	US\$6,758 thousand	US\$6,758 thousand	Without recourse	-
Taipei Fubon Bank	US\$1,222 thousand	US\$1,222 thousand	Without recourse	-

(6) Inventories, net

	December 31, 2021	December 31, 2020
Raw materials	\$ 664,335	\$ 511,022
Inventories in transit	660	8,057
Supplies	10,135	8,951
Work in progress	72,221	-

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	December 31, 2021	December 31, 2020
Finished goods	\$ 492,299	\$ 346,069
Merchandise	24,706	7,033
Total	\$ 1,264,356	\$ 881,132

(Concluded)

The Company recognized NT\$5,895,089 thousand and NT\$5,703,657 thousand of operating costs associated with inventories for the years ended December 31, 2021 and 2020, respectively. Inventory valuation loss for inventories written down to their net realizable value amounted to NT\$27,718 thousand and NT\$10,300 thousand and was recognized as an addition to operating costs for the years ended December 31, 2021 and 2020, respectively.

The aforementioned inventories were not pledged.

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

	December 31, 2021	December 31, 2020
Equity instrument investments at fair value through other comprehensive income – non-current:		
Publicly traded stocks	\$ 372,637	\$ -
Non-publicly traded stocks	-	-
Total	\$ 372,637	\$ -

The said financial assets at fair value through other comprehensive income were not pledged. As of December 31, 2021, the unrealized valuation loss on financial assets at fair value through other comprehensive income was fully recognized upon evaluation under valuation adjustment of equity instrument investments at fair value through other comprehensive income. Please refer to Table 3 for details.

(8) Investments accounted for using the equity method

	December 31, 2021		December 31, 2020	
	Amount	Ownership Percentage	Amount	Ownership Percentage
Investments in subsidiaries:				
Taistar Co., Ltd.	\$ 815,530	100.00%	\$ 776,829	100.00%
Leadmax Limited	585	100.00%	594	100.00%
Koatech Technology Corp.	234,040	53.86%	222,049	53.86%
Taichem Materials Co., Ltd.	231,496	100.00%	61,416	100.00%
Taiflex Green Power Co., Ltd. (Note)	19,926	100.00%	-	-
TFS Co., Ltd.	505,886	100.00%	495,136	100.00%
Taiflex Scientific Japan Co., Ltd.	15,824	100.00%	17,587	100.00%
Richstar Co., Ltd.	1,505,966	73.94%	1,170,832	69.29%
Taiflex USA Corporation	8,946	100.00%	8,708	100.00%
Subtotal	3,338,199		2,753,151	

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Investee	December 31, 2021		December 31, 2020	
	Amount	Ownership Percentage	Amount	Ownership Percentage
Investments in associates:				
Innovision FlexTech Corp.	\$ 28,793	14.37%	\$ 28,835	15.07%
Geckos Technology Corp.	12,253	29.19%	12,149	42.08%
Subtotal	41,046		40,984	
Total	<u>\$ 3,379,245</u>		<u>\$ 2,794,135</u>	

(Concluded)

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

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

A. The shares of profit or loss of subsidiaries and associates accounted for using the equity method for the years ended December 31, 2021 and 2020 were as follows:

Investee	Years Ended December 31	
	2021	2020
Taistar Co., Ltd.	\$ 32,491	\$ (25,521)
Leadmax Limited	-	(194)
Innovision FlexTech Corp.	1,351	(7,396)
Koatech Technology Corp.	11,916	9,051
Taichem Materials Co., Ltd.	(9,920)	(4,584)
Taiflex Green Power Co., Ltd.	(74)	-
TFS Co., Ltd.	15,708	24,594
Taiflex Scientific Japan Co., Ltd.	247	178
Richstar Co., Ltd.	57,313	55,519
Taiflex USA Corporation	376	(207)
Geckos Technology Corp.	(9,317)	(8,755)
Total	<u>\$ 100,091</u>	<u>\$ 42,685</u>

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

C. Determinant on having only significant influence: Although the Company owns 29.19% of the voting power of Geckos Technology Corp. (Geckos), the other shareholders enjoy the advantage of relative majority in directing activities of the investee. Therefore, instead of control, the Company has only significant influence over Geckos.

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

	December 31, 2021	December 31, 2020
Total assets	\$ 417,162	\$ 440,882
Total liabilities	\$ 192,446	\$ 233,976

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	Years Ended December 31	
	2021	2020
Revenue	\$ 254,197	\$ 179,658
Net income (loss)	\$ 18,739	\$ (72,213)

- E. The aforementioned recoverable amount was measured at fair value less costs of disposal and the fair value was determined using the market approach, which took into account recent financing activities of the investees, technology development status, companies with similar attributes, market conditions and other economic indicators. This was a level 3 fair value measurement.
- F. The Company's prepayments for investments were for the capital increase of Koatech Technology Corporation. Koatech had completed its capital increase on the record date of January 14, 2022.

(9) Property, plant and equipment

	December 31, 2021	December 31, 2020
Owner-occupied property, plant and equipment	\$ 2,159,881	\$ 2,193,741

A. Owner-occupied property, plant and equipment

	As of January 1, 2021	Additions	Disposals	Spin-off	Reclassification	Impairment Loss	As of December 31, 2021
<u>Cost</u>							
Buildings	\$ 1,061,921	\$ 7,026	\$ -	\$ -	\$ 19,323	\$ -	\$ 1,088,270
Machinery and equipment	2,418,299	24,012	(75,512)	-	265,298	-	2,632,097
Hydropower equipment	381,753	12,639	-	-	3,961	-	398,353
Testing equipment	302,227	9,284	(21,937)	-	5,715	-	295,289
Miscellaneous equipment	208,918	7,981	(4,844)	-	-	-	212,055
Total	\$ 4,373,118	\$ 60,942	\$ (102,293)	\$ -	\$ 294,297	\$ -	\$ 4,626,064
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 296,809	\$ 48,071	\$ -	\$ -	\$ -	\$ -	\$ 344,880
Machinery and equipment	1,715,688	163,355	(67,718)	-	-	-	1,811,325
Hydropower equipment	236,088	15,106	-	-	-	-	251,194
Testing equipment	156,193	25,187	(18,153)	-	-	-	163,227
Miscellaneous equipment	126,269	16,959	(4,775)	-	-	-	138,453
Total	\$ 2,531,047	\$ 268,678	\$ (90,646)	\$ -	\$ -	\$ -	\$ 2,709,079
Construction in progress and equipment awaiting inspection	351,670	242,132	-	-	(350,906)	-	242,896
Net	\$ 2,193,741						\$ 2,159,881
	As of January 1, 2020	Additions	Disposals	Spin-off	Reclassification	Impairment Loss	As of December 31, 2020
<u>Cost</u>							
Buildings	\$ 1,032,847	\$ 19,568	\$ -	\$ -	\$ 9,506	\$ -	\$ 1,061,921
Machinery and equipment	2,307,636	21,928	(9,497)	(2,740)	100,972	-	2,418,299
Hydropower equipment	374,505	4,569	(230)	-	2,909	-	381,753
Testing equipment	331,916	16,111	(4,549)	(45,012)	3,761	-	302,227
Miscellaneous equipment	195,630	8,801	(3,985)	-	8,472	-	208,918
Total	\$ 4,242,534	\$ 70,977	\$ (18,261)	\$ (47,752)	\$ 125,620	\$ -	\$ 4,373,118

(Continued)

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	As of January 1, 2020	Additions	Disposals	Spin-off	Reclassification	Impairment Loss	As of December 31, 2020
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 252,441	\$ 44,368	\$ -	\$ -	\$ -	\$ -	\$ 296,809
Machinery and equipment	1,548,162	154,393	(9,497)	(1,370)	-	24,000	1,715,688
Hydropower equipment	222,021	14,297	(230)	-	-	-	236,088
Testing equipment	153,203	28,885	(4,549)	(21,346)	-	-	156,193
Miscellaneous equipment	114,311	15,943	(3,985)	-	-	-	126,269
Total	<u>\$ 2,290,138</u>	<u>\$ 257,886</u>	<u>\$ (18,261)</u>	<u>\$ (22,716)</u>	<u>-\$ -</u>	<u>\$ 24,000</u>	<u>\$ 2,531,047</u>
Construction in progress and equipment awaiting inspection	259,823	218,151	-	-	(126,304)	-	351,670
Net	<u>\$ 2,212,219</u>						<u>\$ 2,193,741</u>

(Concluded)

B. Upon assessment, the Company determined that a part of machinery and equipment was impaired and recognized impairment loss of NT\$0 thousand and NT\$24,000 thousand for the years ended December 31, 2021 and 2020, respectively. The recoverable amount was measured at fair value less costs of disposal, and the fair value was classified as level 3.

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

(10) Intangible assets

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

Amortization and impairment

Trademarks	\$ 436	\$ 49	\$ -	\$ 485
Patents	10,515	833	-	11,348
Software cost	115,532	18,673	-	134,205
Total	<u>126,483</u>	<u>\$ 19,555</u>	<u>\$ -</u>	<u>146,038</u>
Net	<u>\$ 50,467</u>			<u>\$ 91,212</u>

	As of January 1, 2020	Additions	Reclassification	As of December 31, 2020
<u>Cost</u>				
Trademarks	\$ 691	\$ -	\$ -	\$ 691
Patents	17,970	342	-	18,312
Software cost	143,710	13,819	418	157,947
Total	<u>\$ 162,371</u>	<u>\$ 14,161</u>	<u>\$ 418</u>	<u>\$ 176,950</u>

(Continued)

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	As of January 1, 2020	Additions	Reclassification	As of December 31, 2020
<u>Amortization and impairment</u>				
Trademarks	\$ 379	\$ 57	\$ -	\$ 436
Patents	9,687	828	-	10,515
Software cost	99,774	15,758	-	115,532
Total	109,840	\$ 16,643	\$ -	126,483
Net	\$ 52,531			\$ 50,467

(Concluded)

(11) Other non-current assets

	December 31, 2021	December 31, 2020
Refundable deposits	\$ 7,144	\$ 6,384

(12) Short-term loans

	December 31, 2021	December 31, 2020
Unsecured bank loans	\$ 780,000	\$ 150,000

The interest rate ranges of loans were 0.68% to 0.77% and 0.73% and the unused short-term credit facilities amounted to NT\$1,790,000 thousand and NT\$2,480,000 thousand as of December 31, 2021 and 2020, respectively.

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

	December 31, 2021	December 31, 2020
Held for trading:		
Derivative financial instruments not designated in a hedging relationship		
- Forward foreign exchange contracts	\$ 4,861	\$ 11,294
Mandatorily at fair value through profit or loss:		
- Corporate bonds	5,836	-
Total	\$ 10,697	\$ 11,294

(14) Bonds payable

	December 31, 2021	December 31, 2020
Overseas unsecured convertible bonds payable	\$ 1,855,472	\$ -
Less: Current portion	-	-
Net	\$ 1,855,472	\$ -

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Overseas unsecured convertible bonds payable

	December 31, 2021	December 31, 2020
Liability component:		
Overseas unsecured convertible bonds payable – principal amount	\$ 1,945,300	\$ -
Overseas unsecured convertible bonds payable – discounts	(89,828)	-
Subtotal	\$ 1,855,472	-
Less: Current portion	-	-
Net	\$ 1,855,472	\$ -
Embedded derivative financial instruments	\$ (5,836)	\$ -
Equity component	\$ 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 clauses:

- A. The bonds are converted into U.S. dollars equivalent to the New Taiwan dollars amount using a fixed exchange rate for the repayment, repurchase and redemption of the bonds. The fixed exchange rate is determined with reference to the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m. on the pricing date (i.e., the Fixed Exchange Rate is NT\$27.79 = US\$1.00).
- B. After three months of the issuance and prior to the maturity date, the Company may redeem the outstanding convertible bonds in cash at the "early redemption amount" when the closing price (converted into U.S. dollars at the applicable prevailing exchange rate) of the Company's common stocks listed on the TWSE is at least 130% of the total amount determined by multiplying the early redemption amount by the conversion price (translated into U.S. dollars at the Fixed Exchange Rate determined on the pricing date) and divided by the principal amount of the bonds for a period of thirty consecutive trading days. The early redemption amount is converted to New Taiwan dollars using the Fixed Exchange Rate, and the New Taiwan dollars amount will be converted into U.S. dollars using the prevailing exchange rate (the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m.) for payments in U.S. dollars.
- C. When more than 90 percent of the bonds have been redeemed, converted, repurchased and cancelled, the Company may redeem the outstanding bonds early, in whole but not in part, at the "early redemption amount".

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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 Taiflex
- B. Conversion period: Bondholders have the right to convert their bonds into the Company’s common stocks from the day immediately following the 90-day period from the issue date to (1) 10 days prior to the maturity date or (2) no later than five business days prior to the holder’s put date or the date when the Company exercises early redemption.
- C. Conversion price and its adjustments: The conversion price is set at NT\$53.50 per share at the time of issuance. When the conversion price needs to be adjusted due to circumstances set out in the bond indenture, it shall be adjusted according to formulas in the indenture. The conversion price as of December 31, 2021 was NT\$53.50 per share.
- D. Redemption on maturity date: Upon maturity, the bonds will be redeemed at 100% of the outstanding principal amount (redemption amount at maturity). The redemption amount at maturity is converted to New Taiwan dollars using the Fixed Exchange Rate, and the New Taiwan dollars amount will be converted into U.S. dollars using the prevailing exchange rate (the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m.) for payments in U.S. dollars.

(15) Long-term loans

Details of long-term loans as of December 31, 2021 and 2020 were as follows:

Creditor	2021.12.31	Contract Term and Repayment
Bank of Taiwan – syndicated loan	\$ 138,450	2020.10.29 – 2025.10.28, revolving for five years from the initial drawdown date with monthly interest payment
Export-Import Bank of the Republic of China – credit loan	125,000	2019.6.28 – 2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment

(Continued)

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Creditor	2021.12.31	Contract Term and Repayment
Mizuho Bank – credit loan	90,000	2021.10.5 – 2023.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank – credit loan	60,000	2021.10.5 – 2023.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank – credit loan	150,000	2021.10.5 – 2023.10.5, revolving for 2 years after the commencement date with monthly interest payment
Taipei Fubon Bank - credit loan	35,000	2021.9.6 – 2026.9.6, non-revolving for 60 months from the initial drawdown date, principal to be repaid in 12 equal quarterly installments after the grace period of 24 months with monthly interest payment
Taipei Fubon Bank - credit loan	50,000	2021.9.6 – 2026.9.6, non-revolving for 60 months from the initial drawdown date, principal to be repaid in 12 equal quarterly installments after the grace period of 24 months with monthly interest payment
Subtotal	648,450	
Less: Current portion	(50,000)	
Less: Unamortized fee	(3,600)	
Total	<u>\$ 594,850</u>	

(Concluded)

Creditor	2020.12.31	Contract Term and Repayment
Bank of Taiwan – syndicated loan	\$ 140,630	2020.10.29 – 2025.10.28, revolving for five years from the initial drawdown date with monthly interest payment
Export-Import Bank of the Republic of China – credit loan	150,000	2019.6.28 – 2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Mizuho Bank – credit loan	90,000	2020.10.5 – 2022.10.5, revolving for 2 years after the commencement date with monthly interest payment
Mizuho Bank – credit loan	60,000	2020.10.5 – 2022.10.5, revolving for 2 years after the commencement date with monthly interest payment
Subtotal	440,630	
Less: Current portion	(25,000)	
Total	<u>\$ 415,630</u>	

- A. The interest rate ranges of loans were 0.7% to 1.5016% and 0.8% to 1.2645% as of December 31, 2021 and 2020, respectively.
- B. In July 2020, the Company entered into a syndicated loan agreement with eight financial institutions, including the Bank of Taiwan (bookrunner), for a loan facility of NT\$2.5 billion or the equivalent in U.S. dollars. The contract term was five years from the initial drawdown date, i.e., October 2020 to October 2025 and the credit term of the agreement was mid-term loans - current. During the loan term, the Company was required to calculate and maintain the following financial ratios at an agreed level based on the consolidated financial statements audited by CPAs every six months: current ratio, debt ratio, interest coverage ratio and tangible net value. The Company has abided by those terms.

(16) Post-employment benefit plans

A. Defined contribution plan

Expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 were NT\$26,562 thousand and NT\$23,297 thousand, respectively.

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B. Defined benefit plan

Expenses under the defined benefit plan were as follows:

Financial Statement Account	Years Ended December 31	
	2021	2020
Operating costs	\$ 4,273	\$ 4,106
Sales and marketing expenses	329	615
General and administrative expenses	2,380	2,502
Research and development expenses	1,804	2,638
Total	<u>\$ 8,786</u>	<u>\$ 9,861</u>

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

	Years Ended December 31	
	2021	2020
Beginning balance	\$ 155,592	\$ 120,372
Actuarial gain or loss	(19,569)	35,220
Ending balance	<u>\$ 136,023</u>	<u>\$ 155,592</u>

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

	Years Ended December 31	
	2021	2020
Present value of defined benefit obligation	\$ 267,236	\$ 290,184
Fair value of plan assets	(18,547)	(28,226)
Funded status	248,689	261,958
Net defined benefit liabilities	<u>\$ 248,689</u>	<u>\$ 261,958</u>

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

	Years Ended December 31	
	2021	2020
Balance, beginning of year	\$ 290,184	\$ 243,665
Current service cost	7,738	7,995
Interest cost	1,161	2,071
Actuarial gain or loss	(19,194)	36,453
Benefits paid	(12,653)	-
Balance, end of year	<u>\$ 267,236</u>	<u>\$ 290,184</u>

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

	Years Ended December 31	
	2021	2020
Balance, beginning of year	\$ 28,226	\$ 24,115
Return on plan assets	113	205
Contributions from employer	2,486	2,673
Actuarial gain or loss	375	1,233
Benefits paid	(12,653)	-
Balance, end of year	<u>\$ 18,547</u>	<u>\$ 28,226</u>

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- G. As of December 31, 2021, the Company expected to make contributions of NT\$8,659 thousand to the defined benefit plan in the following 12 months.
- H. The major categories of plan assets as a percentage of the fair value of total plan assets were as follows:

	Pension Plan (%)	
	December 31, 2021	December 31, 2020
Cash	100%	100%

The Company's actual returns on plan assets were NT\$487 thousand and NT\$1,438 thousand for the years ended December 31, 2021 and 2020, respectively.

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

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

	December 31, 2021	December 31, 2020
Discount rate	0.69%	0.40%
Expected rate of return on plan assets	0.69%	0.40%
Expected rate of salary increases	5.00%	5.00%

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

	Years Ended December 31			
	2021		2020	
	0.5% Increase	0.5% Decrease	0.5% Increase	0.5% Decrease
Effect on aggregate of current service cost and interest cost	\$ 640	\$ (823)	\$ 268	\$ (401)
Effect on present value of defined benefit obligation	(21,283)	23,415	(23,889)	26,386

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

	Years Ended December 31	
	2021	2020
Present value of defined benefit obligation, ending balance	\$ 267,236	\$ 290,184
Fair value of plan assets, ending balance	(18,547)	(28,226)
Surplus/deficit of plan, ending balance	\$ 248,689	\$ 261,958
Experience adjustments on plan liabilities	\$ (5,007)	\$ 10,180
Experience adjustments on plan assets	\$ (374)	\$ (1,233)

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(17) Equity

A. Capital

- (a) The Company's authorized capital was NT\$3,000,000 thousand, divided into 300,000 thousand shares (including 15,000 thousand shares with the amount of NT\$150,000 thousand reserved for the exercise of employee stock options, preferred stock with warrants and bond with warrants), each at a par value of NT\$10 as of December 31, 2021 and 2020.
- (b) The Company's issued capital was NT\$2,091,197 thousand, divided into 209,120 thousand shares, each at a par value of NT\$10 as of December 31, 2021 and 2020.

B. Capital surplus

	December 31, 2021	December 31, 2020
Additional paid-in capital	\$ 666,479	\$ 666,479
Premium from merger	262,500	262,500
Donated assets	1,970	1,970
Treasury stock transactions	27,280	27,280
Due to recognition of equity component of convertible bonds - stock options	70,203	-
Others	117,334	107,918
Total	\$ 1,145,766	\$ 1,066,147

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

C. Appropriation of profits and dividend policies

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

- (a) Taxes and dues.
- (b) Deficit compensation.
- (c) 10% of net profit as legal reserves. However, this shall not apply when the accumulated legal reserve has equaled total capital.
- (d) Special reserve appropriated or reversed as stipulated by relevant laws and regulations or the competent securities authorities.
- (e) For the remaining profits, if any, the Board of Directors shall draft a proposal for the distribution of bonus to shareholders and submit it to the shareholders' meeting for resolution.

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

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

As of December 31, 2021 and 2020, special reserve set aside for the first-time adoption of IFRS amounted to NT\$75,546 thousand.

Information about the appropriation of 2020 and 2019 earnings resolved in the shareholders' meetings on July 16, 2021 and May 28, 2020, respectively, was as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend per Share (NT\$)</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Legal reserve	\$ 74,469	\$ 57,079	-	-
Special reserve	3,306	64,876	-	-
Cash dividends - common stocks	522,799	250,944	\$ 2.50	\$ 1.20

The shareholders' meeting on May 28, 2020 resolved to distribute NT\$271,855 thousand from capital surplus to shareholders in the form of cash. Shareholders are entitled to receive NT\$1.3 per share.

Please refer to Note 6(21) for information on the accrual basis and the amounts recognized for compensation to employees and remuneration to directors.

(18) Operating revenue

	<u>Years Ended December 31</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Sale of goods	<u>\$ 7,671,215</u>	<u>\$ 7,491,041</u>	
Contract balances:			
Contract liabilities – current	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Sale of goods	<u>\$ 957</u>	<u>\$ 492</u>	<u>\$ -</u>

Beginning balance of contract liabilities reclassified to revenue amounted to NT\$492 thousand and NT\$0 thousand for the years ended December 31, 2021 and 2020, respectively.

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(19) Expected credit (loss) gain

	Years Ended December 31	
	2021	2020
Operating expenses – expected credit (loss) gain		
Accounts receivable	\$ 3,472	\$ 7,669

Please refer to Note 12 for information concerning credit risk.

For receivables (both notes and accounts receivables (including related parties)), the Company measured the loss allowance at an amount equal to lifetime expected credit losses. The assessment on the loss allowance as of December 31, 2021 and 2020 was as follows:

Expected credit loss of receivables:

December 31, 2021

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

December 31, 2020

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 2,954,450	\$ 7,586	\$ -	\$ 1,146	\$ 2,963,182
Loss ratio	0%~1%	3%~10%	20%~50%	50%~100%	
Lifetime expected credit losses	10,790	237	-	1,146	12,173
Subtotal	\$ 2,943,660	\$ 7,349	\$ -	\$ -	\$ 2,951,009

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

The movements in the loss allowance for receivables in the years ended December 31, 2021 and 2020 were as follows:

	Receivables	Other Non-current Assets	Total
	Balance as of January 1, 2021	\$ 12,173	\$ -
Reversal in the current period	(3,472)	-	(3,472)
Write off	(789)	-	(789)
Balance as of December 31, 2021	\$ 7,912	\$ -	\$ 7,912

	Receivables	Other Non-current Assets	Total
	Balance as of January 1, 2020	\$ 19,842	\$ 4,101
Reversal in the current period	(7,669)	-	(7,669)
Write off	-	(4,101)	(4,101)
Balance as of December 31, 2020	\$ 12,173	\$ -	\$ 12,173

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(20) Leases

A. The Company being a lessee

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

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

(a) Amounts recognized in the balance sheets

i. Right-of-use assets

Carrying amount of right-of-use assets

	December 31, 2021	December 31, 2020
Land	\$ 233,041	\$ 239,167
Buildings	-	703
Transportation equipment	8,920	11,288
Total	<u>\$ 241,961</u>	<u>\$ 251,158</u>

The Company's right-of-use assets increased by NT\$3,534 thousand and NT\$3,387 thousand for the years ended December 31, 2021 and 2020, respectively.

ii. Lease liabilities

	December 31, 2021	December 31, 2020
Current	\$ 8,896	\$ 10,554
Non-current	238,712	244,484
Lease liabilities	<u>\$ 247,608</u>	<u>\$ 255,038</u>

Please refer to Note 6(21)D Finance costs for details on interest expenses of lease liabilities for the years ended December 31, 2021 and 2020 and Note 12(5) Liquidity risk management for the maturity analysis on lease liabilities as of December 31, 2021 and 2020.

(b) Amounts recognized in the statements of comprehensive income

Depreciation of right-of-use assets

	Years Ended December 31	
	2021	2020
Land	\$ 6,126	\$ 6,116
Buildings	-	1,053
Transportation equipment	5,902	6,036
Total	<u>\$ 12,028</u>	<u>\$ 13,205</u>

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

	Years Ended December 31	
	2021	2020
Expense of short-term leases	\$ 11,242	\$ 9,299
Expense of leases of low value assets (excluding short-term leases of low value assets)	5,833	1,806

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

The Company's cash outflows from leases amounted to NT\$31,793 thousand and NT\$27,035 thousand for the years ended December 31, 2021 and 2020, respectively.

(e) Other information associated with leasing activities

Options to extend or terminate the lease

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

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

Function Nature	Years Ended December 31					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	406,296	287,268	693,564	363,566	273,351	636,917
Labor and health insurance	41,039	20,674	61,713	33,279	18,795	52,074
Pension	21,821	13,527	35,348	18,990	14,168	33,158
Remuneration to directors	-	20,713	20,713	-	21,051	21,051
Other employee benefits expense	49,651	21,494	71,145	37,716	18,667	56,383
Depreciation	238,367	42,339	280,706	224,719	46,372	271,091
Amortization	2,942	16,613	19,555	4,371	12,272	16,643

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As of December 31, 2021 and 2020, the Company had 825 and 739 employees, respectively. There were 6 Directors who were not employees for both years.

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

- A. The average employee benefits expense in 2021 equaled NT\$1,052 thousand, which was calculated as follows: $(\text{Sum of employee benefits expense} - \text{Sum of remuneration to directors in 2021}) / (\text{Number of employees} - \text{Number of directors who are not employees in 2021})$. The average employee benefits expense in 2020 equaled NT\$1,062 thousand, which was calculated as follows: $(\text{Sum of employee benefits expense} - \text{Sum of remuneration to directors in 2020}) / (\text{Number of employees} - \text{Number of directors who are not employees in 2020})$.
- B. The average employee salaries in 2021 equaled NT\$847 thousand, which was calculated as follows: $\text{Sum of employee salaries in 2021} / (\text{Number of employees} - \text{Number of directors who are not employees in 2021})$. The average employee salaries in 2020 equaled NT\$869 thousand, which was calculated as follows: $\text{Sum of employee salaries in 2020} / (\text{Number of employees} - \text{Number of directors who are not employees in 2020})$.
- C. The change in average employee salaries equaled -2.56% in 2021, which was calculated as follows: $(\text{Average employee salaries in 2021} - \text{average employee salaries in 2020}) / \text{Average employee salaries in 2020}$.
- D. The Company has established the Audit Committee to replace supervisors. Thus, remuneration to supervisors was not recognized.
- E. Remuneration policy
 - (a) Remuneration to directors is determined based on the Articles of Incorporation. The Compensation Committee would evaluate the involvement of directors in the business operation of the Company and their contributions to the Company with reference to the remuneration standard of the industry. The Board of Directors would present the distribution proposal at the shareholders' meeting for shareholders to approve and finalize the amount.
 - (b) Compensation to management and employees is determined based on the salary levels among peers, job scopes and degree of contributions by individuals to the Company's operation target. It also takes into account the Company's overall performance and individual's performance and contribution.

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

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

Information on 2021 compensation to employees and remuneration to directors in the form of cash reported in the Board of Directors' meeting on January 19, 2022 and 2020 compensation to employees and remuneration to directors in the form of cash reported in the shareholders' meeting on July 16, 2021 was as follows:

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

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

(22) Non-operating income and expenses

A. Interest income

	Years Ended December 31	
	2021	2020
Interest income	\$ 1,474	\$ 5,168

B. Other income

	Years Ended December 31	
	2021	2020
Other income	\$ 31,766	\$ 24,984

C. Other gains and losses

	Years Ended December 31	
	2021	2020
(Loss) gain on disposal of property, plant and equipment	\$ (7,348)	\$ 35
Gain on disposal of investments	1,612	-
Foreign exchange loss, net	(3,324)	(76,019)
Loss on financial assets (liabilities) at fair value through profit or loss, net	(12,631)	(15,997)
Impairment loss for non-financial assets	-	(24,000)
Other losses	(890)	(394)
Total	\$ (22,581)	\$ (116,375)

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D. Finance costs

	Years Ended December 31	
	2021	2020
Interest on bank borrowings	\$ (11,560)	\$ (10,698)
Interest on lease liabilities	(4,470)	(4,620)
Interest on bonds payable	(1,486)	-
Total	\$ (17,516)	\$ (15,318)

E. Components of other comprehensive income

For the year ended December 31, 2021

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

For the year ended December 31, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	\$ (35,220)	\$ -	\$ (35,220)	\$ 7,044	\$ (28,176)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(4,132)	-	(4,132)	826	(3,306)
Total	\$ (39,352)	\$ -	\$ (39,352)	\$ 7,870	\$ (31,482)

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(23) Income tax

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

Income tax recognized in profit or loss

	Years Ended December 31	
	2021	2020
Current income tax expense (benefit):		
Current income tax expense	\$ 155,452	\$ 185,446
Income tax adjustments on prior years	(10,687)	(46,694)
Separate taxation for repatriated offshore funds	-	11,411
Deferred income tax expense:		
Deferred income tax expense (benefit) relating to origination and reversal of temporary differences	23,312	(8,164)
Income tax expense	<u>\$ 168,077</u>	<u>\$ 141,999</u>

Income tax recognized in other comprehensive income

	Years Ended December 31	
	2021	2020
Deferred income tax expense (benefit):		
Remeasurement of defined benefit plan	\$ 3,914	\$ (7,044)
Exchange differences arising on translation of foreign operations	3,481	(826)
Income tax relating to components of other comprehensive income	<u>\$ 7,395</u>	<u>\$ (7,870)</u>

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

	Years Ended December 31	
	2021	2020
Income before tax of continuing operations	<u>\$ 902,731</u>	<u>\$ 914,858</u>
Income tax expense at the statutory rate of the Company	\$ 180,546	\$ 182,972
Additional profit-seeking enterprise income tax on unappropriated earnings	-	-
Income tax adjustments on prior years	(10,687)	(46,694)
Separate taxation for repatriated offshore funds	-	11,411
Tax effects of other tax adjustments	(1,782)	(5,690)
Income tax expense recognized in profit or loss	<u>\$ 168,077</u>	<u>\$ 141,999</u>

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

For the year ended December 31, 2021

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

For the year ended December 31, 2020

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Ending balance
Temporary differences					
Exchange gain or loss	\$ 19,119	\$ (2,228)	\$ -	\$ -	\$ 16,891
Allowance for inventory valuation and obsolescence loss	11,230	2,060	-	-	13,290
Gain (loss) on investments accounted for using the equity method	(51,161)	(2,573)	826	-	(52,908)
Unrealized intra-group profits and losses	6,572	280	-	-	6,852
Impairment of assets	1,320	4,800	-	-	6,120
Allowance for doubtful accounts	(260)	260	-	-	-
Net defined benefit liabilities	43,910	1,437	7,044	-	52,391
Others	(5,220)	4,128	-	-	(1,092)
Deferred income tax benefit (expense)	<u>\$ -</u>	<u>\$ 8,164</u>	<u>\$ 7,870</u>	<u>\$ -</u>	<u>\$ -</u>
Net deferred income tax assets (liabilities)	<u>\$ 25,510</u>				<u>\$ 41,544</u>
Reflected in balance sheets as follows:					
Deferred income tax assets	<u>\$ 136,925</u>				<u>\$ 131,151</u>
Deferred income tax liabilities	<u>\$ (111,415)</u>				<u>\$ (89,607)</u>

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D. Unrecognized deferred income tax assets:

As of December 31, 2021 and 2020, the Company did not have any unrecognized deferred income tax assets.

E. The assessment of income tax returns:

As of December 31, 2021, the Company's income tax return was assessed and approved up to 2019.

F. Current income tax liabilities

In addition to tax payable of NT\$155,452 thousand for 2020 which was calculated based on tax laws and paid by the Company in 2021, current income tax liabilities also included the tax installment payments of NT\$40,511 thousand applied by the Company pursuant to the Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens in 2019.

(24) Earnings per share (EPS)

	Year Ended December 31, 2021		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the Company	\$ 734,654	209,120	<u>\$ 3.51</u>
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	1,189	36,361	
Employee compensation - stock	-	1,569	
Net income attributable to common shareholders of the Company and effect of potential common stocks	<u>\$ 735,843</u>	<u>247,050</u>	<u>\$ 2.98</u>
	Year Ended December 31, 2020		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the Company	\$ 772,859	209,120	<u>\$ 3.70</u>
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Employee compensation - stock	-	1,383	
Net income attributable to common shareholders of the Company and effect of potential common stocks	<u>\$ 772,859</u>	<u>210,503</u>	<u>\$ 3.67</u>

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(25) Information on spin-off

On September 30, 2020, the Company spun off its advanced material operation to set up the wholly-owned subsidiary, Taichem Materials Co., Ltd. (Taichem Materials), which would issue new shares to the Company as consideration. Based on the carrying amount of advanced material operation's net assets, the Company received 5,000 thousand shares of Taichem Materials at NT\$13.2 per share without recognizing gain or loss on the exchange. The carrying amount of assets and liabilities spun off were as follows:

	Taichem Materials	
Current assets	\$	40,964
Property, plant and equipment		25,036
Total	\$	66,000

7. Related Party Transactions

(1) Names and relationships

Name	Relationship
Taistar Co., Ltd.	100% owned subsidiary
Leadmax Limited (Leadmax)	100% owned subsidiary
TSC International Ltd. (TSC)	100% owned second-tier subsidiary
Kunshan Taiflex Electronic Co., Ltd. (Kunshan Taiflex Electronic) (Note 1)	100% owned third-tier subsidiary
TFS Co., Ltd.	100% owned subsidiary
Richstar Co., Ltd.	100% owned second-tier subsidiary
Shenzhen Taiflex Electronic Co., Ltd.	100% owned third-tier subsidiary
Geckos Technology Corp. (Geckos)	Investee under the equity method
Koatech Technology Corporation	53.86% owned subsidiary
Taiflex Scientific Japan Co., Ltd.	100% owned subsidiary
Taiflex USA Corporation	100% owned subsidiary
Rudong Fuzhan Scientific Co., Ltd.	100% owned third-tier subsidiary
Taichem Materials Co., Ltd. (Note 2)	100% owned subsidiary
Taiflex Green Power Co., Ltd. (Note 3)	100% owned subsidiary
Innatech Co., Ltd. (Innatech)	A substantive related party
SINYA Network System Integration Co., Ltd. (SINYA Network)	A substantive related party
SINYA Digital Co., Ltd. (SINYA Digital)	A substantive related party

Note 1: Taiflex Scientific (Kunshan) Co., Ltd. was renamed Kunshan Taiflex Electronic Co., Ltd. on September 1, 2020.

Note 2: The Company spun off its operation in the manufacturing and selling of semiconductor materials to Taichem Materials and acquired 100% of the company on September 30, 2020.

Note 3: The Company established Taiflex Green Power Co., Ltd. and acquired 100% of the company on March 26, 2021.

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(2) Significant transactions with related parties

A. Sales

	Years Ended December 31	
	2021	2020
Subsidiaries		
Shenzhen Taiflex Electronic Co., Ltd.	\$ 1,373,948	\$ 2,013,588
Kunshan Taiflex Electronic Co., Ltd.	528,751	54,915
Others	84,915	40,291
Total	<u>\$ 1,987,614</u>	<u>\$ 2,108,794</u>

The sales prices of related party transactions were determined through negotiation based on market prices. The outstanding balances as of December 31, 2021 and 2020 were unsecured and non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

B. Purchases

	Years Ended December 31	
	2021	2020
Subsidiaries		
Rudong Fuzhan Scientific Co., Ltd.	\$ 32,184	\$ 8,894
Kunshan Taiflex Electronic Co., Ltd.	9,648	467
Shenzhen Taiflex Electronic Co., Ltd.	2,572	2,498
Others	2,099	89
Total	<u>\$ 46,503</u>	<u>\$ 11,948</u>

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

C. Property transaction

Acquisition of property, plant and equipment

	Years Ended December 31	
	2021	2020
Innatech	\$ 2,654	\$ 10,117
SINYA Network	1,250	-
Total	<u>\$ 3,904</u>	<u>\$ 10,117</u>

Acquisition of intangible assets

	Years Ended December 31	
	2021	2020
Innatech	<u>\$ 52,318</u>	<u>\$ 682</u>

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Proceeds from sale of property, plant and equipment

	Years Ended December 31	
	2021	2020
Rudong Fuzhan Scientific Co., Ltd.	\$ 2,400	\$ -
Geckos	-	15
Total	<u>\$ 2,400</u>	<u>\$ 15</u>

Gain on sale of property, plant and equipment

	Years Ended December 31	
	2021	2020
Rudong Fuzhan Scientific Co., Ltd.	\$ -	\$ -
Geckos	-	15
Total	<u>\$ -</u>	<u>\$ 15</u>

D. Accounts receivable - related parties

	December 31, 2021	December 31, 2020
Subsidiaries		
Shenzhen Taiflex Electronic Co., Ltd.	\$ 956,593	\$ 994,433
Kunshan Taiflex Electronic Co., Ltd.	310,223	54,707
Rudong Fuzhan Scientific Co., Ltd.	67,524	36,663
Others	149	377
Total	<u>\$ 1,334,489</u>	<u>\$ 1,086,180</u>

E. Other receivables - related parties

Non-financing

	December 31, 2021	December 31, 2020
Subsidiaries		
Rudong Fuzhan Scientific Co., Ltd.	\$ 52,180	\$ 118,364
Shenzhen Taiflex Electronic Co., Ltd.	-	4,898
Others	645	2,263
Associates		
Geckos	123	132
Total	<u>\$ 52,948</u>	<u>\$ 125,657</u>

F. Prepayments

	December 31, 2021	December 31, 2020
Innatech	\$ 196	\$ 777
SINYA Network	244	-
Total	<u>\$ 440</u>	<u>\$ 777</u>

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G. Accounts payable - related parties

	December 31, 2021	December 31, 2020
Subsidiaries		
Rudong Fuzhan Scientific Co., Ltd.	\$ 23,445	\$ 8,904
Shenzhen Taiflex Electronic Co., Ltd.	2,103	164
Koatech Technology Corporation	-	1,557
Others	8,339	466
Total	<u>\$ 33,887</u>	<u>\$ 11,091</u>

H. Other payables – related parties

	December 31, 2021	December 31, 2020
Substantive related parties		
Innatech	\$ 1,359	\$ 6,701
Others	2,062	1,285
Subsidiaries		
Taichem Materials Co., Ltd.	8,735	-
Taiflex USA Corporation	5,315	5,654
Taiflex Scientific Japan Co., Ltd.	5,017	4,349
Others	3,635	508
Total	<u>\$ 26,123</u>	<u>\$ 18,497</u>

I. Others

Rental income

	Years Ended December 31	
	2021	2020
Geckos	\$ 1,800	\$ 1,800
Taichem Materials Co., Ltd.	360	113
Total	<u>\$ 2,160</u>	<u>\$ 1,913</u>

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

Operating expenses

	Years Ended December 31	
	2021	2020
SINYA Network	\$ 5,004	\$ 779
Innatech	1,750	-
SINYA Digital	35	-
Total	<u>\$ 6,789</u>	<u>\$ 779</u>

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J. Compensation to key management

	Years Ended December 31	
	2021	2020
Short-term employee benefits	\$ 49,861	\$ 62,269
Post-employment benefits	216	442
Total	\$ 50,077	\$ 62,711

8. Pledged Assets

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

	Carrying Amount		Purpose of Pledge
	December 31, 2021	December 31, 2020	
Time deposits (Note)	\$ 20,111	\$ 20,081	Customs guarantee
Buildings	38,182	39,579	Letter of credit and short-term credit facilities
Total	\$ 58,293	\$ 59,660	

Note: These were recognized as other current assets.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Details of the Company's unused letters of credit as of December 31, 2021 were as follows:

	L / C Balance	
USD	US\$	8,408 thousand
JPY	JPY	1,149,881 thousand

(2) Guaranteed notes issued by the Company amounted to NT\$24,000 thousand as of December 31, 2021. They were issued as performance guarantees and would be recovered for cancellation upon termination of the guarantee obligation.

10. Significant Disaster Loss

None.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2021	December 31, 2020
Financial assets at fair value through profit or loss:		
Mandatorily at fair value through profit or loss	\$ 27,529	\$ 29,832
Financial assets at fair value through other comprehensive income	372,637	-

(Continued)

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	December 31, 2021	December 31, 2020
Financial assets at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	\$ 2,474,850	\$ 1,207,574
Financial assets at amortized cost	276,900	138,719
Receivables	2,967,708	3,119,528
Other financial assets - current	20,111	20,081
<u>Financial liabilities</u>		
	December 31, 2021	December 31, 2020
Financial liabilities at fair value through profit or loss:		
Held for trading	\$ 10,697	\$ 11,294
Financial liabilities at amortized cost:		
Short-term loans	780,000	150,000
Payables	1,658,636	1,919,581
Bonds payable (including current portion)	1,855,472	-
Long-term loans (including current portion)	644,850	440,630
Lease liabilities (current and non-current)	247,608	255,038
		(Concluded)

(2) Objectives of financial risk management

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

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

(3) Market risk

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

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

A. Foreign currency risk

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

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

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

B. Interest rate risk

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

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

C. Equity price risk

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

A 5% increase/decrease in the prices of listed companies' stocks classified as mandatorily at fair value through profit or loss could cause the profit or loss for the years ended December 31, 2021 and 2020 to increase/decrease by NT\$1,279 thousand and NT\$1,470 thousand, respectively.

A 5% increase/decrease in the prices of listed companies' stocks classified as at fair value through other comprehensive income could cause the comprehensive income for the years ended December 31, 2021 and 2020 to increase/decrease by NT\$18,632 thousand and NT\$0 thousand, respectively.

D. Pre-tax sensitivity analysis was as follows:

For the year ended December 31, 2021

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

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For the year ended December 31, 2020

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$13,446 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ NT\$10,711 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- NT\$ 756 thousand

(4) Credit risk management

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

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

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>December 31, 2021</u>					
Borrowings	\$ 836,535	\$ 417,956	\$ 186,415	\$ -	\$ 1,440,906
Payables	1,658,636	-	-	-	1,658,636
Convertible bonds	-	-	1,945,300	-	1,945,300
Lease liabilities	8,896	20,769	18,517	290,117	338,299
<u>December 31, 2020</u>					
Borrowings	\$ 175,158	\$ 250,000	\$ 165,630	\$ -	\$ 590,788
Payables	1,919,581	-	-	-	1,919,581
Lease liabilities	10,554	31,536	22,370	297,113	361,573

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Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
<u>December 31, 2021</u>					
Inflows	\$ 1,032,526	\$ -	\$ -	\$ -	\$ 1,032,526
Outflows	1,039,815	-	-	-	1,039,815
Net	\$ (7,289)	\$ -	\$ -	\$ -	\$ (7,289)
<u>December 31, 2020</u>					
Inflows	\$ 699,107	\$ -	\$ -	\$ -	\$ 699,107
Outflows	702,130	-	-	-	702,130
Net	\$ (3,023)	\$ -	\$ -	\$ -	\$ (3,023)

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

(6) Reconciliation of liabilities arising from financing activities

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

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

Reconciliation of liabilities for the year ended December 31, 2020:

	Short-term Loans	Long-term Loans	Lease Liabilities	Total Liabilities from Financing Activities
As of January 1, 2020	\$ 670,000	\$ 900,000	\$ 261,182	\$ 1,831,182
Cash flows	(520,000)	(459,370)	(15,930)	(995,300)
Non-cash movements	-	-	9,786	9,786
As of December 31, 2020	\$ 150,000	\$ 440,630	\$ 255,038	\$ 845,668

(7) Fair values of financial instruments

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

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

- (a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximates their fair value due to short maturity terms.

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- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation prices (e.g., listed equity securities, beneficiary certificates, bonds and futures).
- (c) For bonds payable with no market quotation price, the fair value is determined by the quotation price of the counterparty or valuation techniques. The latter is based on the discounted cash flow analysis with assumptions of interest rates and discount rates primarily founded on relevant information of similar instruments (e.g., yield curve used by the Taipei Exchange, Reuters' average interest rate of commercial papers and credit risk).

B. Fair value of financial instruments measured at amortized cost

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

C. Information on the fair value hierarchy of financial instruments

Please refer to Note 12(9) for details.

(8) Derivative instruments

Forward foreign exchange contracts

As of December 31, 2021 and 2020, the Company's derivative instruments that were not eligible for hedge accounting and were outstanding were listed as follows:

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

<u>Currency</u>	<u>Contract Period</u>	<u>Contract Amount (in thousands)</u>
<u>December 31, 2021</u>		
Sell RMB/Buy NTD	2021.09~2022.05	RMB150,000/NT\$ 643,512
Sell USD/Buy NTD	2021.11~2022.02	US\$ 6,000/NT\$ 166,647
Sell USD/Buy THB	2021.11~2022.11	US\$ 8,000/THB 267,750
<u>December 31, 2020</u>		
Sell RMB/Buy NTD	2020.08~2021.04	RMB 78,000/NT\$ 330,154
Sell USD/Buy NTD	2020.10~2021.03	US\$ 13,000/NT\$ 368,953

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

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 for details on the relevant contract.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(9) Fair value hierarchy

A. Definition of fair value hierarchy

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

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

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

Level 3 inputs are unobservable inputs for the asset or liability

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

B. Hierarchy of fair value measurement

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2021</u>				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 1,939	\$ -	\$ 1,939
Stocks	25,590	-	-	25,590
Financial assets at fair value through other comprehensive income	372,637	-	-	372,637
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	4,861	-	4,861
Embedded derivative instruments	-	5,836	-	5,836
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2020</u>				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 423	\$ -	\$ 423
Stocks	29,409	-	-	29,409
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	11,294	-	11,294

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For the years ended December 31, 2021 and 2020, 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:

	December 31, 2021			December 31, 2020		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 161,877	27.690	\$ 4,482,371	\$ 83,220	28.126	\$ 2,340,648
RMB	311,508	4.3477	1,354,341	249,268	4.3140	1,075,343
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 35,475	27.690	\$ 982,309	\$ 40,656	28.126	\$ 1,143,485
JPY	151,181	0.2405	36,359	222,038	0.2713	60,239
RMB	7,232	4.3477	31,443	750	4.3140	3,234

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

As the Company transact in various currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. For the years ended December 31, 2021 and 2020, the Company's foreign exchange gain (loss) amounted to NT\$(3,324) thousand and NT\$(76,019) thousand, respectively.

(11) Capital management

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

(12) Information on financial assets transferred

Derecognition of financial assets transferred in their entirety.

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

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December 31, 2021				
Factor	Amount Transferred	Amount Advanced	Interest Rate Range	Credit Line
CTBC Bank	US\$2,988 thousand	US\$2,988 thousand	0.7611%	US\$5,500 thousand
Taishin International Bank	US\$789 thousand	US\$789 thousand	0.7%	NT\$690,000 thousand
Taipei Fubon Bank	US\$4,613 thousand	US\$4,613 thousand	0.7%~0.77%	US\$8,000 thousand
Bank of Taiwan	US\$8,206 thousand	US\$8,206 thousand	0.6977%	US\$15,000 thousand
December 31, 2020				
Factor	Amount Transferred	Amount Advanced	Interest Rate Range	Credit Line
CTBC Bank	US\$623 thousand	US\$623 thousand	0.8034%	US\$5,000 thousand
Taishin International Bank	US\$6,758 thousand	US\$6,758 thousand	0.71%~0.88%	NT\$690,000 thousand
Taipei Fubon Bank	US\$1,222 thousand	US\$1,222 thousand	0.78%	US\$6,000 thousand

13. Additional Disclosures

- (1) Information on significant transactions and investees
 - A. Financing provided to others: Please refer to Table 1.
 - B. Endorsement/guarantee provided to others: Please refer to Table 2.
 - C. Marketable securities held as of December 31, 2021 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.
 - D. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2021: Please refer to Table 4.
 - E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2021: None.
 - F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2021: None.
 - G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the year ended December 31, 2021: Please refer to Table 5.
 - H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of December 31, 2021: Please refer to Table 6.
 - I. Direct or indirect significant influence or control over the investees for the year ended December 31, 2021 (excluding investments in China): Please refer to Table 7.

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- J. Derivative financial instrument transactions: Please refer to Note 12.
 - K. Others: intercompany relationships and significant intercompany transactions for the year ended December 31, 2021: Please refer to Table 9.
- (2) Information on investments in Mainland China: Please refer to Table 8.
- (3) Information on major shareholders: Please refer to Table 10.

TABLE 1: FINANCING PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Whether A Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Note 10)	Amount Actually Drawn (Note 11)	Interest Rate Range	Nature of Financing (Note 4)	Transaction Amount (Note 5)	Reason for Short-term Financing (Note 6)	Loss Allowance	Collateral		Financing Limit for Individual Borrower	Limit on Total Financing Amount	Note
													Item	Value			
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	\$ 228,040	\$ 221,520	\$ -	1.70%~4.00%	2	-	Operating capital	-	-	-	\$ 1,553,059	\$ 3,106,118	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	399,070	138,450	-	1.70%~4.00%	2	-	Operating capital	-	-	-	1,553,059	3,106,118	(Note 7)
1	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	608,678	608,678	391,293	2.00%~4.00%	2	-	Operating capital	-	-	-	785,463	785,463	(Note 9)
1	Kunshan Taiflex Electronic Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	174,604	86,954	86,954	2.00%~4.00%	2	-	Operating capital	-	-	-	785,463	785,463	(Note 9)

Note 1: Companies are coded as follows:

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

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

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

Note 3: The maximum balance of financing provided to others for the year ended December 31, 2021.

Note 4: Nature of Financing is coded as follows:

(1) Business transaction is coded "1".

(2) Short-term financing is coded "2".

Note 5: If the nature of financing is business transaction, the amount of transaction shall be disclosed. The amount of transaction refers to the business transaction amount of the most recent year between the financing company and the borrower.

Note 6: With respect to short-term financing, the reasons of financing and the purpose of use by the counterparty shall be specified, such as loan repayment, equipment acquisition or operating capital.

Note 7: The Company's "Procedures for Lending Funds to Other Parties" stipulates that the amount of financing provided shall not exceed 40% of the Company's net worth in the most recent financial statements. The amount of financing provided to any single entity shall not exceed 20% of the Company's net worth in the most recent financial statements.

Note 8: Total amount of financing to firms or companies having business relationship with the Company shall not exceed 20% of the Company's net worth. The financing amount to an individual party is limited to the transaction amount between both parties. The transaction amount means the purchase or sales amount between the parties, whichever is higher, and shall not exceed 10% of the Company's net worth. However, the lending amount to a single enterprise whose voting rights are 100% held, either directly or indirectly, by the Company shall not exceed 20% of the Company's net worth.

Note 9: For financing between offshore companies that the Company holds, either directly and indirectly, 100% of the voting rights, both the financing provided to any single entity and the total financing shall not exceed 100% of the financing company's net worth in the most recent financial statements.

Note 10: If public companies, pursuant to Paragraph 1, Article 14 of Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies, resolve each individual lending at the board meetings, the amounts resolved before drawdown shall be the publicly-announced balance to disclose the risk they assume; provided however, if any repayment is made subsequently, the outstanding balance after such repayment shall be disclosed to reflect the risk adjusted. If public companies, pursuant to Paragraph 2, Article 14 of the same Regulations, authorize the chairperson by board resolution, within a certain monetary limit and a period not to exceed one year, to give loans in instalments or to make a revolving credit line available, the amount resolved shall be the publicly-announced balance. Although repayments may be made subsequently, as drawdowns are likely to happen again, the amount of financing resolved by the board shall be recorded as the publicly-announced balance.

Note 11: This is the ending balance after evaluation.

TABLE 2: ENDORSEMENT/GUARANTEE PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to A Single Entity (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement/ Guarantee Secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement Provided by Parent Company to Subsidiaries (Note 7)	Endorsement Provided by Subsidiaries to Parent Company (Note 7)	Endorsement Provided to Subsidiaries in China (Note 7)
		Name	Relationship (Note 2)										
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	2	\$ 3,882,648	\$ 490,175	\$ 470,730	\$ 2,871	\$ -	6.06%	\$ 3,882,648	Y	N	Y
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	2	3,882,648	293,648	130,431	-	-	1.68%		Y	N	Y

Note 1: Companies are coded as follows:

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

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

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

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

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

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

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

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

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

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

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

Note 4: The maximum endorsement/guarantee balance for the year ended December 31, 2021.

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

Note 6: This is the ending balance after evaluation.

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

TABLE 3: MARKETABLE SECURITIES HELD AS OF DECEMBER 31, 2021 (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

(In Thousands of New Taiwan Dollars)

Holder of Marketable Securities	Type of Marketable Securities (Note 1)	Name of Marketable Securities (Note 1)	Relationship with the Issuer (Note 2)	Financial Statement Account	December 31, 2021				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	372,637	6.90%	372,637	-
	Listed stocks	Zhen Ding Technology Holding Limited	-	Financial assets at fair value through profit or loss - current	255	25,590	0.03%	25,590	-

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: INDIVIDUAL SECURITIES ACQUIRED OR DISPOSED OF WITH ACCUMULATED AMOUNT OF AT LEAST NT\$300 MILLION OR 20 PERCENT OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)				Ending Balance	
					Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Selling Price	Carrying Amount	Gain/Loss on Disposal	Shares (In Thousands)	Amount (Note 5)
Taiflex Scientific Co., Ltd.	APAQ Technology Co., Ltd.	Financial assets at fair value through other comprehensive income - non-current	-	-	-	-	6,139	\$ 388,259	-	-	-	-	6,139	\$ 372,637

Note 1: Marketable securities stated in this table refer to stocks, bonds, beneficiary certificates and securities derived from the said items.

Note 2: For marketable securities recognized under investments accounted for using the equity method, information concerning these two columns shall be provided.

Note 3: The calculation of accumulated acquisition or disposal amount shall be done separately when determining whether the threshold of at least NT\$300 million or 20 percent of the paid-in capital has been reached.

Note 4: The paid-in capital refers to the parent company's paid-in capital. For stocks with no par value or a par value other than NT\$10, the threshold of 20 percent of the paid-in capital shall be replaced by 10 percent of equity attributable to shareholders of the parent on the balance sheets.

Note 5: The ending balance includes unrealized gain/loss of financial assets.

TABLE 5: 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	\$ 1,373,948	17.91%	180 days from the end of month	-	-	\$ 956,593	33.24%	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	528,751	6.89%	180 days from the end of month	-	-	310,223	10.78%	-
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	1,373,948	52.25%	180 days from the end of month	-	-	(956,593)	(58.43%)	-
Kunshan Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	528,751	71.02%	180 days from the end of month	-	-	(310,223)	(73.75%)	-

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 6: 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	\$ 956,593	1.41	-	-	\$ 276,057	-	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	310,223	2.90	-	-	75,476	-	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	17	(Note 1)	-	-	9	-	-
Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Holds 100% of the third-tier subsidiary	67,524	1.57	-	-	19,760	-	-
Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Holds 100% of the third-tier subsidiary	52,180	(Note 1)	-	-	9,105	-	-

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

TABLE 7: INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE OR CONTROL DIRECTLY OR INDIRECTLY (EXCLUDING INVESTEEES IN MAINLAND CHINA)

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				December 31, 2021	December 31, 2020	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%	\$ 815,530	\$ 32,491	\$ 32,491	(Note 2)
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	585	-	-	-
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	320,761	294,102	13,700	53.86%	234,040	21,562	11,916	(Note 2)
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	98,101	102,894	3,787	14.37%	28,793	10,060	1,351	-
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	505,886	22,333	15,708	(Note 2)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	1,316,239	1,062,808	44,000	73.94%	1,505,966	79,646	57,313	-
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	15,824	247	247	-
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	8,820	1	100.00%	8,946	376	376	-
Taiflex Scientific Co., Ltd.	Geckos Technology Corp.	Taiwan	Manufacturing and selling of electronic materials	28,699	28,699	2,524	29.19%	12,253	(28,799)	(9,317)	-
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor materials	246,000	66,000	17,000	100.00%	231,496	(9,944)	(9,920)	(Note 1)
Taiflex Scientific Co., Ltd.	Taiflex Green Power Co., Ltd.	Taiwan	Generation and selling of electricity from renewables	20,000	-	2,000	100.00%	19,926	(76)	(74)	(Note 1)
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	26.06%	530,853	79,646	22,333	-
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	785,528	33,822	33,822	-
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	28,649	28,649	960	100.00%	18,048	588	588	-
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	28,500	28,500	955	100.00%	18,277	588	588	-

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

Note 2: Including unrealized gain/loss between companies.

TABLE 8: 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, 2021	Investment Flows		Accumulated Outflows of Investment from Taiwan as of December 31, 2021	Profit/Loss of Investee	Ownership Percentage (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2021	Accumulated Inward Remittances of Earnings as of December 31, 2021
						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	\$ 33,822	100.00%	\$ 33,822	\$ 785,463	\$ 135,257
	Rudong Fuzhan Scientific Co., Ltd.	Manufacturing and selling of electronic materials	\$1,316,239 (US\$44,000,000)	2	1,062,808	253,431	-	1,316,239	17,336	100.00%	17,336	1,347,592	-
	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	62,312	100.00%	62,312	689,169	-
Koatech Technology Corporation	Kunshan Koatech Technology Corporation	A wholesaler and a commission agent of electronic materials and components	\$28,351 (US\$950,000)	2	28,351	-	-	28,351	588	53.86%	317	9,838	-
Accumulated Outflows of Investment from Taiwan to Mainland China as of December 31, 2021					Investment Amounts Authorized by the Investment Commission, MOEA					Upper Limit on Investment			
Taiflex Scientific Co., Ltd.			\$2,562,540	\$2,580,303					(Note 3)				
Koatech Technology Corporation			\$28,351	\$140,222					(Note 4) \$194,745				

Note 1: The methods for investment in Mainland China are categorized into the following three types. Please specify the type.

- (1) Direct investment in Mainland China.
- (2) Investment in Mainland China through companies in the third area.
- (3) Others.

Note 2: Significant transactions with the investees in China, either directly or indirectly through the third area, and the relevant prices, payment terms and unrealized gains or losses:

- (1) Purchase and ending balance of related payables and their weightings: see Table 5.
- (2) Sales and ending balance of related receivables and their weightings: see Tables 5 and 6.
- (3) The transaction amount and gain or loss arising from property transactions: see Table 4.
- (4) Ending balance of endorsements/guarantees or collateral provided and the purposes: see Table 2.
- (5) Maximum balance, ending balance, interest rate range and total interest of current period from financing provided to others: see Table 1.
- (6) Transactions that have significant impact on profit or loss of the current period or the financial position, such as services rendered or received: N/A.

Note 3: The Company received official documents issued by the Industrial Development Bureau, Ministry of Economic Affairs certifying the Company being qualified for operating headquarters in May 2019. Thus, the limit stipulated in the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China" does not apply.

Note 4: The upper limit on investment is calculated as follows:

Koatech Technology Corporation: NT\$324,575 thousand × 60% = NT\$194,745 thousand

TABLE 9: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2021

(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	\$ 1,373,948	General trading terms	14.61%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	956,593	General trading terms	6.80%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Sales revenue	528,751	General trading terms	5.62%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Accounts receivable	310,223	General trading terms	2.20%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Other receivables	17	General trading terms	0.00%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Accounts receivable	67,524	General trading terms	0.48%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Other receivables	52,180	General trading terms	0.37%

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

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

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

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

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

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

Note 4: This is the ending balance after evaluation.

TABLE 10: INFORMATION ON MAJOR SHAREHOLDERS

(In Shares)

Name of Major Shareholder	Share	Total Shares Owned	Ownership Percentage
Chang Wah Electromaterials Inc.		17,094,000	8.17%
Qiao Mei Development Corporation		16,263,729	7.77%
BaoJie Funds in custody of Standard Chartered Bank Main Branch		11,970,120	5.72%

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

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

TAIFLEX Scientific Co., Ltd.

Chairperson: Ta-Wen Sun