

Stock Code: 8039

TAIFLEX Scientific Co., Ltd.

## 2023 Annual Report

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

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

**Published on March 26, 2024**

**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.***

**1. Name, Title and Contact Details of Company's Spokesperson and Deputy Spokesperson:**

Spokesperson: Chi-Yuan Pan

Title: Chief Financial Officer and Corporate Governance Officer

Telephone Number: (07)813-9989 ext. 72803

E-mail Address: Ken\_pan@taiflex.com.tw

Deputy Spokesperson: Mei-Hsien Su

Title: Manager of Business Analysis Department, Finance & Accounting Center

Telephone Number: (07)813-9989 ext. 72803

E-mail Address: Emma@taiflex.com.tw

**2. Address and Telephone Numbers of Company's Headquarters, Branches and Factories:**

Taiflex 1: No. 4, S. 3rd Rd., Qianzhen Dist., Kaohsiung City 806011, Taiwan (R.O.C.)

Taiflex 2 (Headquarters): No.1, Huanqu 3rd Rd., Qianzhen Dist., Kaohsiung City 806011, Taiwan (R.O.C.)

Taiflex 3: No. 3, S. 2nd Rd., Qianzhen Dist., Kaohsiung City 806011, Taiwan (R.O.C.)

Taiflex 5: No. 8, S. 3rd Rd., Qianzhen Dist., Kaohsiung City 806011, Taiwan (R.O.C.)

Telephone Number: (07)813-9989

**3. Name, Address, Website and Telephone Number of the Share Registrar:**

Name: Stock Management Service Department, Yuanta Securities

Address: No.210-B1, Sec. 3, Chengde Rd., Datong Dist., Taipei City 103432, Taiwan (R.O.C.)

Website: <http://www.yuanta.com.tw>

Telephone Number: (02)2586-5859

**4. Names, Accounting Firm, Address, Website and Telephone Number of Independent Auditors in the Most Recent Year:**

Names: Jheng-Chu Chen and Ching-Piao Cheng

CPA Firm: Ernst & Young

Address: 17F., No.2, Zhongzheng 3rd Rd., Xinxing Dist., Kaohsiung City 800208, Taiwan (R.O.C.)

Website: <http://www.ey.com>

Telephone Number: (07)238-0011

**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>

## Table of Contents

<b>I.</b>	<b>Letter to Shareholders</b> .....	1
<b>II.</b>	<b>Company Profile</b>	
	1. Date of Incorporation.....	5
	2. Company History.....	5
<b>III.</b>	<b>Corporate Governance</b>	
	1. Organization .....	9
	2. Directors, Supervisors, Presidents, Vice Presidents, Assistant Vice Presidents and Managers of Departments and Branches .....	12
	3. Remuneration Paid to Directors (Including Independent Directors), Supervisors, Presidents and Vice Presidents .....	25
	4. Corporate Governance Implementation.....	29
	5. Audit Fees for CPA.....	79
	6. Change of CPA .....	80
	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...	80
	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 .....	81
	9. Top 10 Shareholders Who are Related Parties, Spouses, or within Second-Degree of Kinship to Each Other .....	82
	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 .....	83
<b>IV.</b>	<b>Capital Overview</b>	
	1. Capital and Shares .....	84
	2. Corporate Bonds .....	90
	3. Preferred Shares.....	91
	4. Global Depositary Shares .....	91
	5. Employee Stock Options .....	92
	6. Employee Restricted Stock.....	93
	7. New Share Issuance in Connection with Mergers and Acquisitions .....	93
	8. Execution of Funding Plans.....	93
<b>V.</b>	<b>Operational Highlights</b>	
	1. Business.....	94
	2. Market and Sales Overview.....	104
	3. Human Resources in the Recent Two Years and as of the Date of this Annual Report (No. of Employees, Average Year of Service and Age, and Education).....	110

4. Expenditure Related to Environmental Protection .....	111
5. Employment Relations .....	112
6. Cyber Security Management .....	118
7. Material Contracts.....	120
<b>VI. Financial Highlights</b>	
1. Condensed Balance Sheet and Statement of Comprehensive Income from 2019 to 2023 with Names and Opinions of Independent Auditors.....	121
2. Financial Analysis from 2019 to 2023.....	125
3. Audit Committee’s Review Report for 2023 .....	128
4. Audited Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022 .....	129
5. Audited Parent Company Only Financial Statements for the Years Ended December 31, 2023 and 2022 .....	129
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 .....	129
<b>VII. Review and Analysis of Financial Position and Performance and Associated Risks</b>	
1. Financial Position .....	130
2. Financial Performance.....	131
3. Cash Flows .....	132
4. Major Capital Expenditures in the Most Recent Year and Their Impacts on the Company’s Finance and Business .....	132
5. Reinvestment Policies in the Most Recent Year, Main Reasons for Investment Gains or Losses, Improvement Plans, and Investment Plans of the Next Year.....	132
6. Risks .....	133
7. Other Significant Matters .....	137
<b>VIII. Special Notes</b>	
1. Affiliates .....	138
2. Private Placement of Securities in the Most Recent Year and as of the Date of this Annual Report .....	143
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.....	143
4. Other Necessary Supplement.....	143
<b>IX. Any Events in the Most Recent Year and as of the Date of this Annual Report that had Significant Impacts on Shareholders’ Right or Security Prices as Stated in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act.....</b>	<b>143</b>

# I. Letter to Shareholders

## 1. 2023 Operating Results

The Company generated net revenues of NT\$8,151 million in 2023, a decrease of 6.6% from NT\$8,722 million in 2022. Net income attributable to shareholders of the parent company came to NT\$423 million, down 39.6% year-over-year, with an earnings per share of NT\$2.02. Looking back at 2023, the global demand for consumer electronics did not rise as pandemic abated. Instead, we saw central banks worldwide tightened the monetary policy due to high inflationary pressure. With suppressed demand for consumer electronics under high interest rates, the elevated inventory level maintained throughout the supply chain to avoid supply chain disruption during the pandemic needed to be digested, resulting in a relatively slow year for the entire consumer electronics industry. Despite our leading position in the field, we were not immune to the impact of industry downturn, and our revenue and profit both declined compared to the previous year as a result.

Looking forward to the macroeconomic environment in 2024, as the tightening of monetary policy by central banks worldwide comes to an end and the supply chain inventory level returns to a relatively healthy state after a year-long inventory adjustment, the recovery of end demand for consumer electronics shall be just around the corner. The demand of AI end devices in particular, is the focus of major companies. Nevertheless, cost control remains crucial in business operation as high interest rates and inflationary pressure have yet to subside.

Besides carrying on with developing high-frequency, high-speed and advanced packaging materials for the high-performance computing demand brought about by AI, the Company will launch cost-effective products to meet the general market demand in response to current economic environment, aiming to expand our market share and maintain our leading position in the industry.

### (1) Consolidated revenue and net income

(In Thousands of New Taiwan Dollars)

Item	2023	2022	Change (in Dollar Amount)	Change (in Percentage)
Net operating revenue	8,150,519	8,721,875	(571,356)	(6.55%)
Gross profit	1,791,507	2,078,863	(287,356)	(13.82%)
Net income	360,723	691,713	(339,990)	(47.85%)

### (2) Profitability analysis

Item	2023	2022
Net profit margin	4.42%	7.93%
Return on assets	2.98%	5.34%
Return on equity	4.47%	8.66%

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

#### A. Electronic materials

With gradual adoption of AI functions in end devices and the development of B5G and 6G high-speed communication, high-frequency, high-speed, lightweight and energy-saving remain the key directions of material developments. We allocate our research and development resources on product developments of the following 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. Besides communications, we will also engage in the development of high weather resistance and high stability materials for the automotive segment.

B. Heat dissipation materials

Besides making progress in electronic materials, we utilize our core formulas and production capabilities to diversify product lines. We actively engage in heat dissipation materials and roll out high-power heat dissipation substrates to further our involvement in heat dissipation for the automotive segment, thereby offsetting the relatively high volatility of the electronic industry.

C. Semiconductor materials

Through a spin-off, Taiflex established Taichem Materials Co., Ltd. in September 2020 to manage our semiconductor materials business. Our main products include laser release materials which are primarily used in the 2.5D and 3D advanced packaging process, and we are also involved in developing materials for Micro LED mass transfer and packaging. We align our work with progresses of customers and offer customized services by leveraging our in-house formula technology. As the production volume of customers picks up, so would our growth momentum.

## 2. Overview of 2024 Business Plan

(1) Business policy

Although the consumer electronics segment is expected to recover in 2024, cost control remains crucial as high-cost pressure persists and consumers cut down their spendings on non-essential consumer goods. Moreover, as the importance of ESG performance is growing among global brands, how to achieve a balance between reducing the overall operating costs and investing in ESG is also vital for building competitive advantages. All things considered, severe challenges faced by the industry and the necessity of continuous R&D investments will put operating profits under pressure in 2024.

Furthermore, the Company chooses Thailand to build its third production base in response to rising concerns over geoeconomic risks from customers around the world. We strengthen our global presence to meet customer demand and enhance supply resilience. Mass production of our Thailand factory is scheduled to commence in the second quarter of 2024, and to achieve the sustainable development goals, the factory will pursue the goals of carbon neutrality and RE100.

Although the global smartphone market has gradually entered the plateau stage, there are still some highlights in areas such as phones with edge AI functions, foldable phones, and phones with premium lenses. New applications create new materials demand. We are recognized by international companies for our sustainable operational capabilities and have maintained our long-term partnerships. We continue to work closely with them on material research and development in order to seize business opportunities from new applications, and to maintain our margins through the introduction of new products.

(2) Sales volume forecast and basis

**Electronics materials: Sales in 2024 are expected to increase slightly compared to 2023**

Basis:

- A. As inventory of the entire supply chain is reduced to a relatively healthy level, the adverse effect of inventory adjustment by customers is expected to be mitigated and the overall demand will return to a level similar to that of the end demand.
- B. Shipment growth in categories such as edge AI functions and foldable phones is promising and expected to prompt the recovery of the overall consumer electronics demand. At this stage, however, the market as a whole is expected to maintain a moderate recovery.
- C. As an industry leader, we will benefit from the industry rebound and further increase our market share by leveraging our comprehensive product lines, reputable quality products and cost competitiveness, driving up the sales volume of electronic materials by a small increase compared to last year.

(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 to reduce the supply chain disruption risk at other production bases.
- B. Promote smart manufacturing to improve the operational efficiency of our production bases worldwide: Set up an intelligence center and introduce advanced production-sales planning systems to closely monitor customer demand and production dynamics, thereby swiftly adjusting our production plans.
- C. Strengthen the competence of the technical service team for end customers, take the lead in understanding their demand, and enhance the efficiency of product research and development.
- D. Optimize product portfolio and pricing strategy, and increase market share.

### 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 tides of 5G communications and alternative energy vehicles 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 advantages in technology and economies of scale, we aim to stabilize and strengthen the overall supply chain connectivity, thereby creating high entry barriers for competitors.
- (3) Optimize ESG investments. Besides systematizing workflows and carrying out waste reduction measures to reduce environmental hazards, we increase investments in renewables to meet customers' expectation and pursue sustainable developments. At the same time, we lower costs through various reduction measures.

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

(1) External competitions

- A. Rapid advancements in product and technology require a fast time to market. In addition to increasing development costs, the challenge for speedy mass production of new product has turned severe while existing products are confronted with higher price pressure.
- B. Governments around the world push for local supply chains as supply chain fragmentation and regional economy emerge.

- C. Being a leading global producer of FCCL, our competitive advantages in supply chain management and economies of scale allow us to meet customer 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 them 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.
    - C. The complexity and rapid changes in regulations pertaining to renewable energy and carbon fee as well as considerable differences between countries will significantly increase the complexity of corporate responses.
  - (3) Macro-environment
    - A. Inflationary environment, tight monetary policy and geopolitical risk bring about devastating effect to consumers and customer demand. They not only increase cost pressure but also the difficulties in supply chain inventory management, production scheduling and delivery. These factors plus the long-term upward trends of raw materials and personnel costs pose a serious challenge to profitability.
    - B. The increasing focus on ESG will continue to 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 are critical to companies' global strategies.

Facing with rapid changes in competitions along with increasingly challenging environment, we will persistently strengthen our core competitiveness, invest research and development resources on materials of flexible electronics, heat dissipation and semiconductor, and work towards producing high-value products. At the same time, we will utilize our leading position in 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.
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.

Year	Milestones
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 System 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.
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.

Year	Milestones
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 System 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.
October, 2021	Received a certificate of the Kaohsiung City Government for Mid-Autumn Festival Gifts from Sheltered Workshop to Help Disabled Friends. Received a certificate of Social Affairs Bureau, Kaohsiung City Government for supporting Mid-Autumn Festival Gifts from disability organizations.
November, 2021	Issued the first overseas unsecured convertible bonds of US\$70 million at the Singapore Exchange Limited on November 30.
December, 2021	Obtained ISO50001 Energy Management System certification. Received recognition from the Kaohsiung United Charity Association for One Day Volunteer and donations to help families with financial hardship.

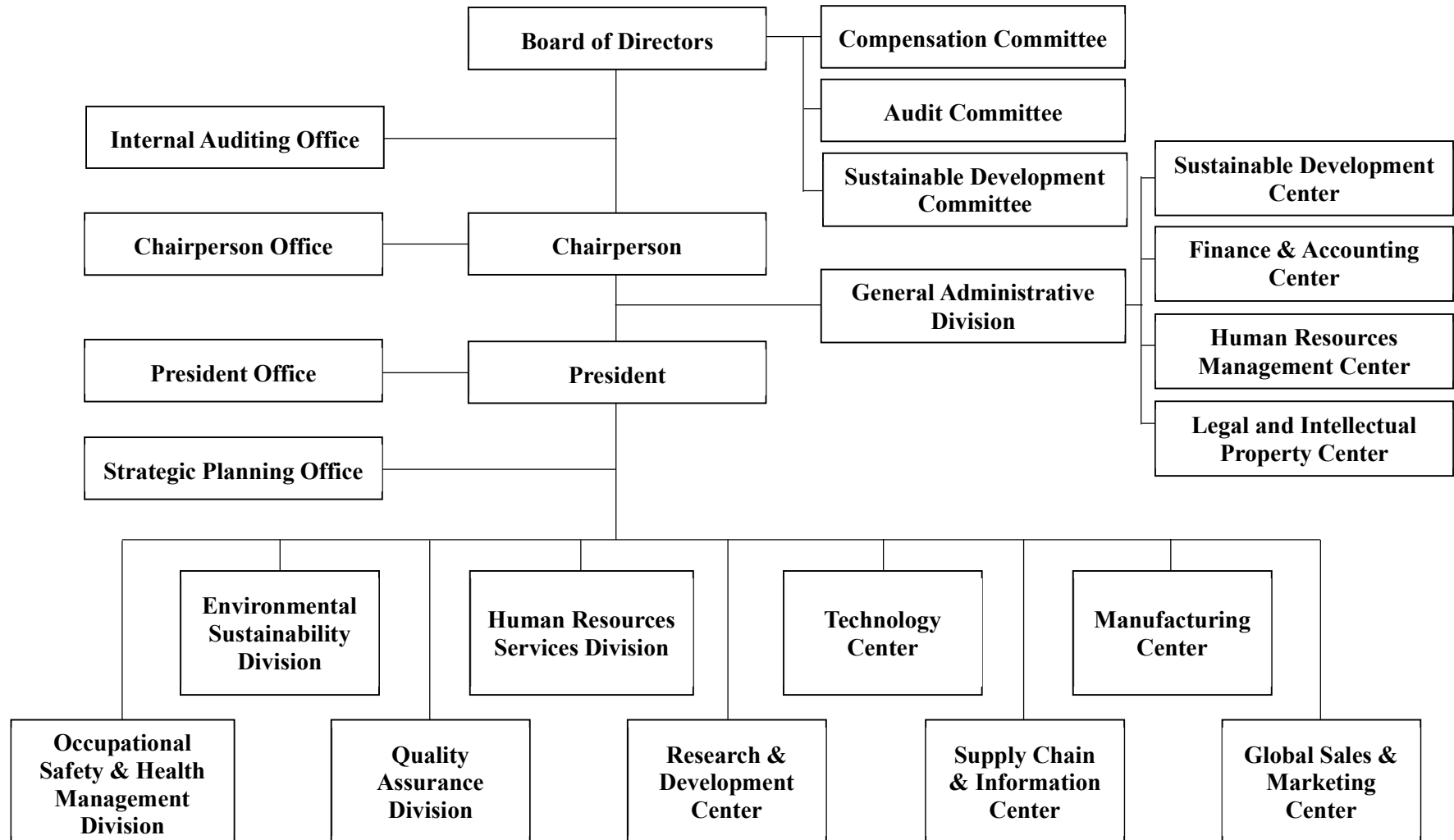
Year	Milestones
January, 2022	Received trophy from Kaohsiung Export Processing Zone Administration for participating in blood donation activities.
April, 2022	Ranked in the top 5% of the “Small and Mid Caps” category for the 8th Corporate Governance Evaluation.
May, 2022	Established Taiflex Scientific (Thailand) Co., Ltd.
August, 2022	The 25th Anniversary of Taiflex and Gung Ho with Kaohsiung.
November, 2022	Obtained ISO27001 Information Security Management System certification for seven consecutive years. Received the certificate of 2022 Enterprises Committed to Corporate Health Responsibility from the Common Health Magazine.
December, 2022	Received 2021 “Community Contribution Excellence Award” from Environmental Protection Bureau, Kaohsiung City Government for green space sponsorship at air quality purification zone in Kaohsiung City. Received recognition for hosting the Kaohsiung study tours and helping families with financial hardship from the Puren Youth Care Foundation. Groundbreaking ceremony of Taiflex Scientific (Thailand) Co., Ltd.
January, 2023	Received Badge of Accredited Healthy Workplace from Health Promotion Administration, Ministry of Health and Welfare.
February, 2023	Received trophy from Kaohsiung Export Processing Zone Administration for participating in blood donation activities.
April, 2023	Ranked in the top 5% of the “Small and Mid Caps” category for the 2022 Corporate Governance Evaluation.
September, 2023	Recognized as an exemplary company in the joint regional complex accident emergency response drill organized at the Kaohsiung Qianzhen Technology Industrial Park.
November, 2023	Obtained ISO27001 Information Security Management System certification for eight consecutive years. Recognized as an outstanding company of the electronics industry in the “Proactive Evaluation on Occupational Health and Safety Index Disclosed in the Sustainability Reports” conducted by the Occupational Safety and Health Administration, Ministry of Labor. Received the certificate of 2023 Enterprises Committed to Corporate Health Responsibility from the Common Health Magazine.
December, 2023	Approved to be an AEO. Obtained both ISO45001 and CNS45001 certifications. Hosted the Kaohsiung study tours with the Puren Youth Care Foundation for eight consecutive years.
February, 2024	Received trophy from Kaohsiung Export Processing Zone Administration for participating in blood donation activities.

### III. Corporate Governance

#### 1. Organization

##### (1) Organizational Structure

March 26, 2024



(2) Functions

Departments	Functions
Internal Auditing Office	<ol style="list-style-type: none"> <li>1. Review and assess the reliability and effectiveness of internal controls and make recommendations for an effective operation.</li> <li>2. Conduct routine and non-routine audits.</li> </ol>
Chairperson Office	Assist the Chairperson with internal management and external issues.
General Administrative Division	Manage the execution of strategies and businesses in line with resolutions of the shareholders' meeting and the board of directors' meeting.
Sustainable Development Center	<ol style="list-style-type: none"> <li>1. Plan and drive the Group's sustainable developments in line with international standards, incorporate the concept of sustainable development into corporate strategies, and focus on sustainability risk management and opportunities as well as industry value chain with the mission of realizing ESG sustainability and accountability and bringing positive energy to the world.</li> <li>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.</li> <li>3. Carry out works associated with environmental protection and comply with relevant laws, company policies and targets.</li> </ol>
Finance & Accounting Center	<ol style="list-style-type: none"> <li>1. Financial, accounting and tax planning and management for the Group.</li> <li>2. Carry out business projection, analysis and improvement as well as coordinate budget management and operations for the Group and business units.</li> <li>3. Assess, execute and manage strategic investments.</li> <li>4. Maintain investor and public relations.</li> <li>5. Handle and promote corporate governance affairs.</li> </ol>
Human Resources Management Center	<ol style="list-style-type: none"> <li>1. Formulate human resource development blueprints and strategies, establish motivational and innovative mechanisms for talent attraction, cultivation and retention, build human capital and improve readiness.</li> <li>2. Establish, consolidate and manage human resource management policies and systems of the Group.</li> <li>3. Enhance corporate image and build corporate culture for the Group.</li> <li>4. Comply with and response to labor-related laws and regulations.</li> <li>5. Plan, execute and oversee general and public affairs.</li> </ol>
Legal and Intellectual Property Center	Handle legal affairs of the Group, 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"> <li>1. Analyze technology and industry market dynamics to identify business opportunities.</li> <li>2. Plan and drive the short, medium and long-term strategies of the Group and monitor the implementation outcome.</li> <li>3. Assess potential strategic investments, M&amp;A targets and cooperation opportunities.</li> </ol>
Global Sales & Marketing Center	<ol style="list-style-type: none"> <li>1. In charge of product planning, sales and market development plans.</li> <li>2. In charge of market intelligence collection and industry analysis.</li> <li>3. Provide customers with product solutions, answer to issues raised by customers and manage new product sampling.</li> </ol>

Departments	Functions
Manufacturing Center	<ol style="list-style-type: none"> <li>1. In charge of product manufacturing and the maintenance, upkeep, repair, and automation enhancement of manufacturing equipment.</li> <li>2. Improve production yield and equipment utilization, and execute improvement plans with technology and equipment departments.</li> <li>3. Calculate the standard work hour, direct labor allocation and standard production capacity of single equipment.</li> <li>4. Time improvement for utilization target, yield target and major equipment downtime target.</li> <li>5. Integrate and improve manufacturing system requirements and processes.</li> <li>6. Formulate and implement equipment repair and maintenance plans.</li> <li>7. New facilities assessment and structural optimization and improvement.</li> <li>8. Formulate and execute new construction plans.</li> </ol>
Supply Chain & Information Center	<ol style="list-style-type: none"> <li>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.</li> <li>2. In charge of the Company's procurement of raw materials, supplies and equipment as well as bonding and customs affairs.</li> <li>3. Coordinate matters including production plan management and resource integration.</li> <li>4. Implement information policy and standards, and carry out information system development planning and installation for the Group.</li> </ol>
Technology Center	Develop and introduce new products, materials, technology and organizations based on the development strategies of the Group and business units.
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.
Quality Assurance Division	<ol style="list-style-type: none"> <li>1. Establish and maintain the quality control system.</li> <li>2. Inspect and accept raw materials and perform quality control inspections on processes and products.</li> <li>3. Monitor product quality and provide relevant data to the manufacturing units.</li> <li>4. Support sales with technical consultation to customers.</li> </ol>
Occupational Safety & Health Management Division	Formulate, plan, supervise and promote safety and health management of the Group and provide guidance for implementation.

## 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 26, 2024 (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	-	2023.05	3 years	2000.04	16,263,729			7.78	16,263,729	7.78	
Representative of Corporate Director	R.O.C.	Ta-Wen Sun	Male 51-60	2023.05	3 years	2000.04	736,760	0.35	736,760	0.35	0	0	0	0	Bachelor of Business Administration, Fu Jen Catholic University	Chairperson of Taiflex Scientific Co., Ltd. Chairperson of Qiao Mei Development Corporation Chairperson of You Ben Investment Co., Ltd. Chairperson of Innatech Co., Ltd. Director of Enli Technology Co., Ltd. Chairperson of Taichem Materials Co., Ltd. (Note 2) Chairperson of Taiflex Green Power Co., Ltd. (Note 2) Director of Rudong Fuzhan Scientific Co., Ltd. (Note 2) Director of Taiflex Scientific (Thailand) Co., Ltd. (Note 2)	-	-	-	-
Director	R.O.C.	Chein-Ming Hsu	Male 61-70	2023.05	3 years	2017.05	0	0	7,695	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 Asia-Pacific Region) Former CEO of 3M Thailand Limited	Corporate Representative Director of Taiflex Green Power Co., Ltd. (Note 2)	-	-	-	-
Director	R.O.C.	Ching-Yi Chang	Male 61-70	2023.05	3 years	2002.06	5,829,282	2.79	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.	-	-	-	-



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 Eurocharm Holdings Co., Ltd. Director of Epoch Foundation Independent Director of Jetway Information Co., Ltd.					
Director	R.O.C.	Fu-Le Lin	Male 61-70	2023.05	3 years	1997.08	290,249	0.14	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.	-	2023.05	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 61-70	2023.05	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 Director of Advanced International Multitech Co., Ltd.	-	-	-	-
Director	R.O.C.	Chun-Chi Lin	Male 61-70	2023.05	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 Chairperson of Taiwan Electron Microscope Instrument Corporation Chairperson of Chi Investment Limited Corporate Representative Director of Stek Co., Ltd. Supervisor of AcroCyte Therapeutics Inc.	-	-	-	-

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		
Independent Director	R.O.C.	Wen-I Lo	Male 61-70	2023.05	3 years	2017.05	0	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. Chairperson of FengYi Capital Management Co., Ltd. Corporate Representative Supervisor of REC Technology Corporation Chairperson of Apex Action Investment Limited Supervisor of Wholesenses Global Corp.	-	-	-	-
Independent Director	R.O.C.	Yung-Shun Chuang	Male 71-80	2023.05	3 years	2021.07	0	0	0	0	0	0	0	0	Honorary Doctorate, National Taiwan University of Science and Technology	Chairperson of AAEMON Technology Inc. Chairperson of EverFocus Electronics Corporation Chairperson of ONYX Healthcare Inc. Chairperson of Jetway Information Co., Ltd. Director of MACHVISION Inc. Director of King Core Electronics Inc. Director of CHC Healthcare Group Corporate Representative Director of Winmate Inc. Corporate Representative Director of XAC Automation Corporation Director of AtechOEM Inc. Corporate Representative Director of IBASE Technology Inc. Director of Litemax Electronics Inc.	-	-	-	-	

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 Allied Biotech Corporation Director of Top Union Electronics Corp.				
Independent Director	R.O.C.	Shi-Chern Yen	Male	61-70	2023.05	3 years	2017.05	0	0	0	0	0	0	0	0	Ph.D. in Chemical Engineering, University of Wisconsin	Emeritus professor and adjunct professor of Chemical Engineering, National Taiwan University	-	-	-	-

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., Taiflex Green Power Co., Ltd. and Taiflex Scientific (Thailand) Co., Ltd. are 100%-owned investees of the Company.

## (a) Major shareholders of corporate shareholders

As of March 26, 2024

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 Investment Co., Ltd.	20.00
	Ju Yang Investment Co., 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 26, 2024

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

Name of Juridical Person	Major Shareholders of the Juridical Person
HongCheng Investment Co., Ltd.	Li-Wen Lin-Yin
	Zhao-Hong Lin
	Shao-Qian Lin
	Shao-Jie Lin
ShengYou Investment Co., Ltd.	Deng-Cai Lin
	Zhi-Wei Lin
	Bing-Kuan Lin
	Zhi-Ning Lin
	Miao-Zhen Lin
LianYu Investment Development Co., Ltd.	Wen-Xing Lin
	Mei-Hui Xu
DeLi International Investment Co., Ltd.	Si-Jin Chen
	Si-Kai Chen
	Miao-Yin Lin
	Zhen-Yue 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 26, 2024

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 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 2).	0
Chein-Ming Hsu	Director Chein-Ming Hsu 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.	Director Chein-Ming Hsu is a director of the Company's wholly-owned investees. He has satisfied all other independence criteria (Note 2).	0
Ching-Yi Chang	Director Ching-Yi Chang 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 and an independent director of Jetway Information Co., Ltd. (a TPEX-listed company) 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 2).	1
Fu-Le Lin	Director Fu-Le Lin 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 2).	0
Fuding Investment Co., Ltd. Representative: Re-Zhang Lin	Director Re-Zhang Lin graduated from Soochow University with a Bachelor of Accounting. He is the chairperson of Taiwan Fu Hsing Industrial Co., Ltd. (TWSE-listed), 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 2).	0
Chun-Chi Lin	Director Chun-Chi Lin 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. (TWSE-listed) and M31 Technology Corporation (TPEX-listed). 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 2).	2

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
Wen-I Lo	Independent Director Wen-I Lo graduated from National ChengChi University with a Master of Business Administration. He is also the convener of the Company's Audit Committee, and a member of the Compensation Committee and the Sustainable Development Committee. He owns a CPA license. He was the President of China Venture Management, Inc. and the Vice President of CDIB Capital Management Corporation. He now also serves as an independent director of Ado Optronics Corporation (a TPEX-listed company). 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 2).	1
Yung-Shun Chuang	Independent Director Yung-Shun Chuang 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 and the Sustainable Development 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 2).	0
Shi-Chern Yen	Independent Director Shi-Chern Yen 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 emeritus professor and adjunct professor of Chemical Engineering in National Taiwan University, the convener of the Company's Sustainable Development Committee, and a member of the Compensation Committee and the Audit Committee. Professor Yen has profound knowledge in chemical engineering and environmental safety and health, which is beneficial to risk management on 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 2).	0

Note 1: Please refer to page 12 to 15 for detailed information on individual Director's education, work experience and positions held in the Company and others.

Note 2: 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 recent 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 set forth 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 Under 3 years 3 to 9 years	Finance	Investment	Information and Electronics	Materials Science	Law	Accounting and Finance	Business Management	Risk Management
					51 to 60	61 to 70	71 to 80									
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
Director	Chein-Ming Hsu				V						V	V			V	V
Director	Fuding Investment Co., Ltd. Representative: Re-Zhang Lin				V					V	★	★		V	V	V
Director	Chun-Chi Lin				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
Independent Director	Yung-Shun Chuang					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 two Directors serving concurrently as managerial officers, three Independent Directors and four 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 26, 2024 (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 (2)
					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 USA Corporation (Note 1) 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) Director of Taiflex Scientific (Thailand) 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 and Chief Information Security Officer	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 Taichem Materials Co., Ltd. (Note 1) Director of Taiflex Scientific (Thailand) Co., Ltd. (Note 1)	-	-	-	-
Vice President	R.O.C.	Chin-Te Ni	Male	2024.03	0	0	0	0	0	0	Master of Communications Management, Shih Hsin University Vice President of HR Administration Division, Sino Horizon Holdings Limited Vice President of HR Administration Division, Taiwan Express Co., Ltd.	-	-	-	-	
Senior Assistant Vice	R.O.C.	Zhen Lin	Male	2014.02	60	0	2,000	0	0	0	Master of Mechanical Engineering, National Taiwan University	Corporate Representative Director and President of Taiflex Green Power Co.,	-	-	-	-

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 (2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President											Former Acting Plant Chief of Himax Technologies, Inc	Ltd. (Note 1)				
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.	-	-	-	-	-
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	Corporate Representative Director of Taichem Materials Co., Ltd. (Note 1)	-	-	-	-
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	-	-	-	-	-
Senior Assistant Vice President	R.O.C.	Chia-I, Li	Female	2022.05	0	0	0	0	0	0	Master of Human Resource Management, National Sun Yat-sen University Former Assistant Vice President of HR Management Department, Pou Chen Corporation	-	-	-	-	-
Assistant Vice President	R.O.C.	Xin-Yuan Chen	Male	2020.05	1,930	0	0	0	0	0	Master of Industrial Engineering and Business Information Department, Tunghai University Former Manager of Himax Technologies, Inc.	Corporate Representative Director of Taichem Materials Co., Ltd. (Note 1)	-	-	-	-
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	Corporate Representative Director of Koatech Technology Corporation	-	-	-	-
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.	President of Koatech Technology Corporation	-	-	-	-

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 (2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Assistant Vice President	R.O.C.	Meng-Wu, Chen	Male	2022.07	0	0	15,000	0.01	0	0	Master of Business Administration, National Cheng Kung University	President of Rudong Fuzhan Scientific Co., Ltd. (Note 1)	-	-	-	-
Assistant Vice President	R.O.C.	Jen-Kai, Huang	Male	2022.09	6,000	0	0	0	0	0	Junior College Graduate of Chemical Engineering, Kun Shan University	-	-	-	-	-
Assistant Vice President	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	Corporate Representative Director of Koatech Technology Corporation	-	-	-	-
Chief of Staff	R.O.C.	Fang-I Hsieh	Female	2005.10	59,583	0.03	50,616	0.02	0	0	Master of Finance, National Sun Yat-Sen University	Supervisor of Koatech Technology Corporation Director of Taiflex Scientific (Thailand) Co., Ltd. (Note 1)	-	-	-	-
Chief Financial Officer and 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 Taichem Materials Co., Ltd. (Note 1) Supervisor of Rudong Fuzhan Scientific Co., Ltd. (Note 1) Supervisor of Shenzhen Taiflex Electronic 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 USA Corporation, Taiflex Scientific Japan Co., Ltd., Kunshan Taiflex Electronic Co., Ltd., Shenzhen Taiflex Electronic Co., Ltd., Rudong Fuzhan Scientific Co., Ltd., Taichem Materials Co., Ltd., Taiflex Green Power Co., Ltd. and Taiflex Scientific (Thailand) 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.

### 3. Remuneration Paid to Directors (including Independent Directors), Supervisors, Presidents and Vice Presidents:

#### (1) Remuneration Paid to Directors and Independent Directors

As of December 31, 2023 (In Thousands of New Taiwan Dollars; Thousands of Shares; %)

Title	Name	Remuneration to Directors								Total of A, B, C and D and as a % of Net Income		Compensation Earned by Being an Employee of Taiflex or Taiflex's Consolidated Entities								Total of A, B, C, D, E, F and G and as a % of Net Income		Compensation from Non-consolidated Affiliates or Parent Company			
		Base Compensation (A)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note 3)		Allowances (D)		From Taiflex	From All Consolidated Entities	Base Compensation, Bonus and Allowances, etc. (E)		Severance Pay and Pensions (F)		Employee Compensation (G) (Note 4)				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			From Taiflex	From All Consolidated Entities	From Taiflex	From All Consolidated Entities	Cash	Stock	Cash	Stock						
Chairperson	Ta-Wen Sun (Note 1)																								
Director	Ching-Yi Chang																								
Director	Fu-Le Lin	0	0	0	0	7,374	7,374	210	233	7,584; 1.79	7,607; 1.80	9,158	9,158	0	0	1,362	0	1,362	0	18,104; 4.28	18,127; 4.29	None			
Director	Re-Zhang Lin (Note 2)																								
Director	Chun-Chi Lin																								
Director	Chein-Ming Hsu																								
Independent Director	Wen-I Lo																								
Independent Director	Shi-Chern Yen	0	0	0	0	3,882	3,882	135	135	4,017; 0.95	4,017; 0.95	0	0	0	0	0	0	0	0	4,017; 0.95	4,017; 0.95	None			
Independent Director	Yung-Shun Chuang																								
<p>1. Please state the policy, system, standard and structure of remuneration paid to Independent Directors and the correlation between factors such as responsibilities and risks assumed as well as time contributed and the amount of payment: 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 with reference to the remuneration standard of the industry, and report to the shareholders' meeting. As net income decreased this year, it was reasonable to see a decrease in the average remuneration paid to each Director.</p> <p>2. Except for information disclosed above, remuneration paid for services rendered by Directors of the Company (e.g., being a nonemployee consultant to the parent company/all consolidated entities/investees) in the most recent year: None.</p>																									

Note 1: Corporate representative director of Qiao Mei Development Corporation.

Note 2: Corporate representative director of Fuding Investment Co., Ltd.

Note 3: 2023 remuneration to Directors in the annual financial report approved in the Board meeting on February 20, 2024.

Note 4: 2023 employee compensation earned by Directors for concurrently serving as an employee of Taiflex in the annual financial report approved in the Board meeting on February 20, 2024.

### 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	Chein-Ming Hsu, Ching-Yi Chang, Fu-Le Lin, Chun-Chi Lin, Corporate Representative Director of Fuding Investment Co., Ltd.: Re-Zhang Lin	Chein-Ming Hsu, Ching-Yi Chang, Fu-Le Lin, Chun-Chi Lin, Corporate Representative Director of Fuding Investment Co., Ltd.: Re-Zhang Lin	Chein-Ming Hsu, Ching-Yi Chang, Chun-Chi Lin, Corporate Representative Director of Fuding Investment Co., Ltd.: Re-Zhang Lin	Chein-Ming Hsu, Ching-Yi Chang, Chun-Chi Lin, Corporate Representative Director of Fuding Investment Co., Ltd.: Re-Zhang Lin
NT\$1,000,000 ~ NT\$1,999,999	Wen-I Lo, Shi-Chern Yen, Yung-Shun Chuang	Wen-I Lo, Shi-Chern Yen, Yung-Shun Chuang	Wen-I Lo, Shi-Chern Yen, Yung-Shun Chuang	Wen-I Lo, Shi-Chern Yen, Yung-Shun Chuang
NT\$2,000,000 ~ NT\$3,499,999	Corporate Representative Director of Qiao Mei Development Corporation: Ta-Wen Sun	Corporate Representative Director of Qiao Mei Development Corporation: Ta-Wen Sun	-	-
NT\$3,500,000 ~ NT\$4,999,999	-	-	Fu-Le Lin	Fu-Le Lin
NT\$5,000,000 ~ NT\$9,999,999	-	-	-	-
NT\$10,000,000 ~ NT\$14,999,999	-	-	Corporate Representative Director of Qiao Mei Development Corporation: Ta-Wen Sun	Corporate Representative Director of Qiao Mei Development Corporation: 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	9	9	9	9

(2) Compensation Paid to Presidents and Vice Presidents

As of December 31, 2023 (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	14,330	14,330	0	0	5,741	5,776	3,033	0	3,033	0	23,104; 5.46	23,139; 5.47	None
Vice Chairperson (Note 1)	Chein-Ming Hsu													
President	Zong-Han Jiang													
Senior R&D Director	Fu-Le Lin													
Vice President	Jiang-Zhi Zhao													

Note 1: Mr. Chein-Ming Hsu retired from his position of Vice Chairperson on May 30, 2023.

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	Chein-Ming Hsu	Chein-Ming Hsu
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	Jiang-Zhi Zhao	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, 2023 (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	8,095	8,095	1.91
	Vice Chairperson (Note 1)	Chein-Ming Hsu				
	President	Zong-Han Jiang				
	Senior R&D Director	Fu-Le Lin				
	Vice President	Jiang-Zhi Zhao				
	Chief of Staff	Fang-I Hsieh				
	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				
	Senior Assistant Vice President	Chia-I, Li				
	Senior Assistant Vice President (Note 2)	Chin-Cheng, Chang				
	Senior Assistant Vice President	Chi-Yuan Pan				
	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	Meng-Wu, Chen				
	Assistant Vice President	I-An Chen				
Assistant Vice President	Jen-Kai, Huang					
Assistant Vice President	Ling-Chun, Liu					

Note 1: Mr. Chein-Ming Hsu retired from his position of Vice Chairperson on May 30, 2023.

Note 2: Mr. Chin-Cheng Chang resigned on February 20, 2023.

- (4) Analysis of remuneration and compensation paid to Directors, Presidents and Vice Presidents by the Company and all consolidated entities in the recent two years 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 the recent two years 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			
	2022		2023		2022		2023	
	Total	%	Total	%	Total	%	Total	%
Remuneration to Directors	35,182	5.02%	22,121	5.23%	35,199	5.02%	22,144	5.24%
Remuneration to Presidents and Vice Presidents	29,353	4.19%	23,104	5.46%	29,391	4.20%	23,139	5.47%
Net income	700,483	-	422,974	-	700,483	-	422,974	-

Note: Remuneration to Directors, Presidents and Vice Presidents decreased in 2023 compared to 2022 primarily due to a year-over-year decrease in net income.

- 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:

Chairperson Ta-Wen Sun convened seven (A) Board meetings in 2023. 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	7	0	100%	Re-elected at Shareholders' Meeting on May 30, 2023
Director	Chein-Ming Hsu	7	0	100%	Re-elected at Shareholders' Meeting on May 30, 2023
Director	Ching-Yi Chang	7	0	100%	Re-elected at Shareholders' Meeting on May 30, 2023
Director	Fu-Le Lin	7	0	100%	Re-elected at Shareholders' Meeting on May 30, 2023
Director	Fuding Investment Co., Ltd. Representative: Re-Zhang Lin	7	0	100%	Re-elected at Shareholders' Meeting on May 30, 2023

Director	Chun-Chi Lin	7	0	100%	Re-elected at Shareholders' Meeting on May 30, 2023
Independent Director	Wen-I Lo	7	0	100%	Re-elected at Shareholders' Meeting on May 30, 2023
Independent Director	Yung-Shun Chuang	7	0	100%	Re-elected at Shareholders' Meeting on May 30, 2023
Independent Director	Shi-Chern Yen	7	0	100%	Re-elected at Shareholders' Meeting on May 30, 2023

For the Board meetings in 2023, the number of attendance available was 63 times and the attendance in person was 63 times. The attendance rate of the Board as a whole was 100%.

Annotations:

- The Board meeting's date, session, and content 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:
  - 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.
  - Except for items specified above, other resolutions on which an Independent Director expresses objection or reservation, either by recorded statement or in writing: None.
- For situations where Directors recuse themselves from any motion due to conflict of interest, the Directors' names, content of motions, causes for the recusal, and participation in voting shall be specified:

Date of Board Meeting	Name of Directors	Content of Motions	Causes for Recusal	Participation in Voting
2023.01.11	Ta-Wen Sun Chein-Ming Hsu Fu-Le Lin	1. 2022 compensation to employees and remuneration to Directors 2. 2022 net income bonus to managerial officers	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.
2023.06.07	Ta-Wen Sun Fu-Le Lin	1. To review the distribution of 2022 remuneration to Directors and compensation to managerial employees	Being the managers in the motion	Except for the two Directors who recused themselves from the voting due to conflict of interest, the motion was approved by the remaining seven Directors in attendance.

- Performance evaluation of the Board:

Frequency	Period	Scope	Method	Details
Annually	January 1, 2023 to December 31, 2023	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.

Frequency	Period	Scope	Method	Details
At least once every three years	October 1, 2021 to September 30, 2022	Board efficiency (including performance) assessment	Engage an external professional institution to conduct the performance assessment	The Company commissioned Taiwan Corporate Governance Association to conduct the 2022 Board efficiency (including performance) assessment for the period between October 1, 2021 and September 30, 2022 in November 2022. The assessment encompassed 8 aspects (Board's composition, guidance, authorization, supervision, communication, internal control and risk management, discipline and others), questionnaires with 10 open-ended questions, and online interviews of the Chairperson, Vice Chairperson, three Independent Directors, the President, the corporate governance officer and the internal audit officer. The Taiwan Corporate Governance Association had issued the Board performance assessment report on November 29, 2022. 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 January 11, 2023.

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:
- (1) The Board had approved “Code of Ethical Conduct”, “Principles of Business Ethics”, “Guidelines on Corporate Governance”, “Procedures and Guidelines of Business Ethics”, “Sustainable Development Best Practice Principles”, “Standard Operating Procedures of Handling Requests from Directors” and “Risk Management Policies and Procedures” 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 11, 2023. 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 44 to 45 for details.

(2) Operations of Audit Committee:

The summary of tasks completed by and operations of Audit Committee in 2023 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 2023 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, Jheng-Chu Chen and Ching-Piao Cheng, 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, 2023 (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 in charge of 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 suitability, and whether they are related parties to the Company or have business or financial interests in the Company.

In the 16th meeting of the second-term Audit Committee on February 22, 2023 and the 24th meeting of the ninth-term Board of Directors on February 22, 2023, the independence of CPAs, Jheng-Chu Chen and Ching-Piao Cheng, 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 2023.

- E. Mr. Wen-I Lo, convener of the Audit Committee, convened six (A) meetings in 2023. 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	6	0	100%	Appointed by the Board on May 30, 2023 (Re-elected at Shareholders’ Meeting on May 30, 2023)
Member	Yung-Shun Chuang	6	0	100%	Appointed by the Board on May 30, 2023 (Re-elected at Shareholders’ Meeting on May 30, 2023)
Member	Shi-Chern Yen	6	0	100%	Appointed by the Board on May 30, 2023 (Re-elected at Shareholders’ Meeting on May 30, 2023)

Annotations:

- When one of the following situations occurs, the date and session of Audit Committee meeting; content 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.
  - Matters specified in Article 14-5 of the Securities and Exchange Act:

Date of Committee Meeting	Session	Content of Motions	Committee Resolution	Actions Taken
2023.01.11	15th meeting of the 2nd term	1. To approve 2023 operation plan and capital expenditure budget	Approved	N/A
		2. To approve the change of finance and accounting officer	Approved	N/A
		3. To amend the Company’s Rules Governing the Issuance and Exercise of 2022 Employee Stock Options	Approved	N/A
2023.02.22	16th meeting of the 2nd term	1. To assess the effectiveness of internal control system for 2022 and issue the Statement of Internal Control System	Approved	N/A
		2. To set the issue date and exercise price of 2022 employee stock options	Approved	N/A
		3. To approve 2022 business report and financial statements	Approved	N/A
		4. To approve 2022 earnings distribution	Approved	N/A

		5. To approve the distribution of cash dividends from capital surplus	Approved	N/A
		6. To appoint CPAs for 2023 and assess their independence and suitability	Approved	N/A
		7. To approve the provision of Letter of Comfort for investee - Koatech Technology Corporation	Approved	N/A
		8. To amend articles within the Procedures for Acquisition or Disposal of Assets	Approved	N/A
		9. To amend the name of and articles within the Procedures for Transactions with Related Parties, Specific Companies or Entities within the Group	Approved	N/A
		10. To propose prior approvals from the governance unit for the provision of non-assurance services to the Company and its subsidiaries by the CPA firm and its affiliates	Approved	N/A
2023.04.26	17th meeting of the 2nd term	1. To approve the consolidated financial statements for the three months ended March 31, 2023	Approved	N/A
		2. To establish the Procedures for the Preparation and Assurance of Sustainability Reports	Approved	N/A
		3. To provide endorsements and guarantees to subsidiaries	Approved	N/A
2023.05.30	1st meeting of the 3rd term	1. To elect the convener of the third-term Audit Committee	Approved	N/A
2023.07.26	2nd meeting of the 3rd term	1. To approve the consolidated financial statements for the six months ended June 30, 2023	Approved	N/A
		2. To provide endorsements and guarantees to subsidiaries	Approved	N/A
		3. To approve the provision of Letter of Comfort for investees - Taichem Materials Co., Ltd. and Koatech Technology Corporation	Approved	N/A
2023.10.25	3rd meeting of the 3rd term	1. To approve 2024 audit plan of the internal auditing office	Approved	N/A
		2. To approve the consolidated financial statements for the nine months ended September 30, 2023	Approved	N/A
		3. To approve the limit for loans to subsidiaries	Approved	N/A

- (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 2023: None.
2. For situations where Independent Directors recuse themselves from any motion due to conflict of interest, the Independent Directors' names, content of motions, causes for the recusal, and participation in voting shall be specified: None.
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).
- (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.
- (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.
- (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.
  - (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.
  - (5) Communications between Independent Directors and internal auditors are summarized as follows:

Meetings Attended by Internal Audit Officer and Dates	Details	Outcome
2023.01.11 Audit Committee meeting	1. Internal audit items from September to November 2022	1. Reported at the Audit Committee meeting and then the Board meeting
2023.02.22 Audit Committee meeting	1. Internal audit items from November 2022 to January 2023 2. Assessment on the effectiveness of internal control system for 2022 3. 2022 “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
2023.04.26 Audit Committee meeting	1. Internal audit items from January to March 2023	1. Reported at the Audit Committee meeting and then the Board meeting
2023.07.26 Audit Committee meeting	1. Internal audit items from March to June 2023	1. Reported at the Audit Committee meeting and then the Board meeting
2023.10.25 Audit Committee meeting	1. Internal audit items from June to September 2023 2. 2024 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
2023.02.22 Audit Committee meeting	1. The appointment of CPAs for 2023 and assessments on their independence and suitability 2. Explanations on parent company only and consolidated financial statements, including key audit matters, for the year ended December 31, 2022	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.
2023.10.25 Audit Committee meeting	1. Explanations on consolidated financial statements for the nine months ended September 30, 2023 2. Updates on the latest securities laws and regulations as well as corporate governance measures, and additions of standards for the substantive examination of financial reports	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 rights 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 establish 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 relations, shareholder service and legal to handle shareholders’ suggestions or disputes. (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 the 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 and rules governing the financial and business matters between the Company and related parties. 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 Handling Material Information and Preventing Insider Trading”, prohibiting insiders from using undisclosed information to trade securities. The Company also holds regular sessions to inform all relevant personnel of the Procedures to avoid violations.	None



Assessment Item	Status			Non-compliance and Reasons									
	Yes	No	Description										
<p>3. Composition and duties of the Board of Directors</p> <p>(1) Has the Board established a diversification policy and specific management goals and have them been implemented accordingly?</p> <p>(2) Other than Compensation and Audit Committees which are required by laws, does the Company plan to set up other functional committees?</p> <p>(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?</p> <p>(4) Has the Company periodically evaluated the independence of its CPAs?</p>	V		<p>(1) Please refer to page 20 to 21.</p> <p>(2) In addition to Compensation Committee and Audit Committee, the Company established the Sustainable Development Committee in 2022 to assist the Board in managing the Company’s sustainable development issues and directions.</p> <p>(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 annually and assessments by external institutions shall be carried out at a minimum of every three years. Please refer to page 30 to 31 for assessment details. The outcome of 2023 assessment was submitted to the Board meeting on January 25, 2024 and the procedures were in compliance with the spirit of corporate governance. It also was used as reference for the remuneration and re-election nomination of individual Director.</p> <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 clients) 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 financial interests in the Company?</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 financial interests in the Company?	N	Y	None
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 financial interests in the Company?	N	Y											

Assessment Item	Status					Non-compliance and Reasons
	Yes	No	Description			
			3. Whether the CPAs have improper relationships with the Company?	N	Y	None
			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 Company?	N	Y	
			14. Whether the CPAs have 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	
			In addition, the Company assessed the independence and suitability of CPAs in accordance with the five scopes, i.e., profession, quality control, independence, monitor and creativity, of the Audit Quality			

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
			Indicators (AQIs). Based on the AQI data, we will continue to retain Ernst & Young as our CPA firms with Shih-Chieh Huang and Ching-Piao Cheng, instead of Jheng-Chu Chen and Ching-Piao Cheng, as independent auditors for our 2024 financial statements due to internal organizational adjustment of the accounting firm.	
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 to appoint Mr. Chi-Yuan Pan, the Senior Assistant Vice President of Finance and Accounting Center, as 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 pursuant to laws and regulations, prepare minutes of Board meetings and Shareholders' Meetings, assist Directors with assuming office 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 relations, 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 on 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 for 2023 were addressed in the Board meeting on January 25, 2024.	None
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	V		(1) The Company discloses financial and business information through the corporate website at <a href="https://www.taiflex.com.tw">https://www.taiflex.com.tw</a> , which is maintained	None

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
<p>Company's financials, business and corporate governance status?</p> <p>(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, and webcasting investor conference on the corporate website)?</p> <p>(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?</p>	V		<p>by designated personnel. Information is available in both Traditional and Simplified Chinese as well as English. Material information, financial status, internal audit organization and operation, significant laws and regulations, corporate governance information and major resolutions of the Boards are available on the Company's official website for foreign and domestic investors to access.</p> <p>(2) The Company would hold investor conferences when deemed necessary. The video or audio recording of such event would be available in the investors section on the website while 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 in charge of communications with external parties.</p> <p>(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 <a href="https://www.taiflex.com.tw">https://www.taiflex.com.tw</a> and MOPS website at <a href="http://mops.twse.com.tw">http://mops.twse.com.tw</a>.</p>	None
<p>8. Does the Company have other important information to facilitate a 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 and risk evaluation standards, the implementation of customer policies, and liability insurance purchased by the Company for directors and supervisors) ?</p>	V		<p>(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 112 to 118) for details.</p> <p>(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.</p> <p>(3) Supplier relations: The Company maintains good relationships with suppliers. The quality and delivery of goods from suppliers have met the standards and there has been no incident of shortage or interruption of supplies over the years.</p> <p>(4) Stakeholder' rights: The Company's official website has included a stakeholder section, serving as a communication channel to protect the legal rights of both parties.</p>	None

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
			<p>(5) Continuing education of Directors and Supervisors: Please refer to the table of “Continuing Education of Directors in 2023” (page 42 to 43) for details.</p> <p>(6) Implementation of risk management policy and risk measurement standards: The Company established “Risk Management Policies and Procedures” in October 2022. Details are available on the corporate website at <a href="https://www.taiflex.com.tw/abo_risk.html">https://www.taiflex.com.tw/abo_risk.html</a>. As for the analysis and assessment on “Risks”, please refer to page 133 to 137 for details.</p> <p>(7) The implementation of customer policies: The Company follows ethical guidelines and maintains good relationships with customers. We actively respond to customers’ issues of concern, such as quality policy, research and development, innovation, continuous improvement, rapid response, customer satisfaction, protection of the planet, green care, etc. At the same time, we are committed to on-time delivery of orders and after-sales service, and deploy technical service personnel to solve relevant issues.</p> <p>(8) Liability insurance for Directors and Supervisors: The Company purchases liability insurance for Directors in every May.</p>	None
<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 top 6% to 20% in the 9th Corporate Governance Evaluation of Taiwan Stock Exchange Corporate and top 5% in the “Small and Mid Caps” category. The rankings demonstrated the Company’s outstanding performance in various management aspects, including protection of shareholders’ rights, equal treatment of shareholders, improvement on Board structure and operation, information transparency enhancement, and promotion of sustainable developments.</p> <p>Improvements completed regarding the 9th Corporate Governance Evaluation include:</p> <p>A. The number of Independent Directors accounts for over one-third of the total number of Directors.</p> <p>B. The Sustainable Development Committee is established with no less than three members, and the majority of members is Independent Director. At least one member possesses the professional competence required for the Committee. The composition, duties and operations of the Committee are also disclosed.</p> <p>C. The Company adopts risk management policies and procedures (including the disclosures of risk management scope, organizational structure and operation). Matters are reported to the Board at least once every year.</p> <p>D. The Company has obtained a TIPS Level-A Certificate of Compliance for the intellectual property management system.</p> <p>(2) Pending issues with high priority are as follows:</p>				

Assessment Item	Status			Non-compliance and Reasons
	Yes	No	Description	
<p>A. To enhance information transparency: Be invited to (or hold) at least two investor conferences every year.</p> <p>B. To promote sustainable developments continuously: To acquire a third-party assurance for the sustainability report.</p> <p>(3) The Company performed self-assessment pursuant to the 10<sup>th</sup> Corporate Governance Evaluation in January 2024. The outcome will be reviewed to set the improvement plans.</p>				

10. The Company's Directors have duly attended courses organized by professional institutions. Continuing education of Directors in 2023 is as follows:

Title and Name	Date		Host	Class	Duration	Total Hours
	From	To				
Representative of corporate director: Ta-Wen Sun	2023/06/09	2023/06/09	Securities & Futures Institute	2023 Seminar on Prevention of Insider Trading	3	6
	2023/06/02	2023/06/02	Chinese National Association of Industry and Commerce	2023 Taishin Net Zero Summit	3	
Director Ching-Yi Chang	2023/10/03	2023/10/03	Taiwan Corporate Governance Association	Corporate Governance and Corporate Social Responsibility: Trends and Best Practices	3	6
	2023/09/28	2023/09/28	Taiwan Corporate Governance Association	Securities Illegality and Responsibility of Directors and Supervisors	3	
Director Chein-Ming Hsu	2023/04/14	2023/04/14	Taiwan Corporate Governance Association	Legal Risks and Responses to Corporate Investment and Financing - From the Viewpoint of Directors' Responsibilities	3	6
	2023/03/14	2023/03/14	Taiwan Corporate Governance Association	Risks and Opportunities of Climate Change for Companies	3	
Director Chun-Chi Lin	2023/05/12	2023/05/12	Taiwan Corporate Governance Association	Global and Taiwan Tax Reforms and Corporate Tax Governance under ESG Trends and Pandemic	3	6
	2023/04/14	2023/04/14	Taiwan Corporate Governance Association	Legal Risks and Responses to Corporate Investment and Financing - From the Viewpoint of Directors' Responsibilities	3	
Representative of corporate director Re-Zhang Lin	2023/06/02	2023/06/02	Securities & Futures Institute	2023 Seminar on Prevention of Insider Trading	3	6
	2023/04/12	2023/04/12	Taiwan Academy of Banking and Finance	Corporate Governance Seminar	3	
Director Fu-Le Lin	2023/04/21	2023/04/21	Taiwan Corporate Governance Association	How Would the Board Formulate ESG Sustainable Governance Strategies	3	6
	2023/04/18	2023/04/18	Taiwan Corporate Governance Association	Corporate Growth Strategy and Open Innovation	3	

Title and Name	Date		Host	Class	Duration	Total Hours
	From	To				
Independent Director Wen-I Lo	2023/05/19	2023/05/19	Taiwan Corporate Governance Association	Protection of Trade Secret and Non-competition	3	6
	2023/05/12	2023/05/12	Taiwan Corporate Governance Association	Global and Taiwan Tax Reforms and Corporate Tax Governance under ESG Trends and Pandemic	3	
Independent Director Shi-Chern Yen	2023/06/09	2023/06/09	Taiwan Corporate Governance Association	Promoting Sustainable Development through Risk Management - Risk Management Best Practice Principles for TWSE/TPEX Listed Companies	3	6
	2023/06/02	2023/06/02	Taiwan Corporate Governance Association	Commercial Litigation and Dispute Resolution in Practice	3	
Independent Director Yung-Shun Chuang	2023/04/13	2023/04/13	Taiwan Academy of Banking and Finance	Corporate Governance Seminar	3	6
	2023/03/27	2023/03/27	Chinese National Association of Industry and Commerce	Directors and Supervisors Seminar - “Corporate Resilience and Competitiveness of Taiwan”	3	

(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.

Title	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)	Yung-Shun Chuang	Note 1	Note 1	0
Independent Director	Wen-I Lo	Note 1	Note 1	1
Independent Director	Shi-Chern Yen	Note 1	Note 1	0

Note 1: Members of the Compensation Committee are Independent Directors of the Company. Please refer to page 18 to 20 for details on their professional qualifications, experience and independent status.

Note 2: Compensation Committee shall exercise due care of a good administrator and duly carry out the following responsibilities:

1. To review the Charter periodically and propose recommendations.
2. To formulate and regularly review the Directors' and managers' annual and long-term performance targets as well as the compensation policies, systems, standards and structures.
3. To regularly assess the Directors' and managers' achievement rates concerning their performance targets and determine the compensation plans and amount for individuals. 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 30, 2023 to May 29, 2026. The Compensation Committee held six (A) meetings in 2023. The qualification and attendance status of Committee members is as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance Rate (%) (B/A)	Remark
Independent Director (Convener)	Yung-Shun Chuang	6	0	100%	Appointed by the Board on May 30, 2023 (Re-elected at Shareholders' Meeting on May 30, 2023)
Independent Director	Wen-I Lo	6	0	100%	Appointed by the Board on May 30, 2023 (Re-elected at Shareholders' Meeting on May 30, 2023)
Independent Director	Shi-Chern Yen	6	0	100%	Appointed by the Board on May 30, 2023 (Re-elected at Shareholders' Meeting on May 30, 2023)

Annotation:

1. If the Board of Directors declined to adopt or modify a recommendation of the Compensation Committee, the date and session of the Board meeting, content 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 superior to the recommendation made by the Committee, please specify the discrepancy and its reason): None.
2. 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, content of motions, all members' opinions and actions taken regarding the opinions shall be specified: None.
3. The date and session of the Compensation Committee meetings in 2023, content of motions, the resolutions and actions taken by the Company regarding the Committee's opinions are as follows:



Date of Compensation Committee Meeting	Session	Content of Motions	Resolutions	Actions Taken
2023.01.11	12th meeting of the 4th term	1. To review the distribution of 2022 compensation to employees and remuneration to Directors	Approved	N/A
		2. To review the distribution of 2022 net income bonus to managerial officers	Approved	N/A
		3. To review the compensation packages of managerial officers	Approved	N/A
		4. To review amendments to the “Rules Governing the Distribution of Remuneration to Directors and Supervisors and Bonus to Managerial Officers”	Approved	N/A
2023.02.22	13th meeting of the 4th term	1. To determine the issue date and exercise price of 2022 employee stock options	Approved	N/A
2023.04.26	14th meeting of the 4th term	1. To review personnel changes at the management level and their compensation packages	Approved	N/A
2023.05.30	1st meeting of the 5th term	1. To elect the convener of the fifth-term Compensation Committee	Approved	N/A
2023.06.07	2nd meeting of the 5th term	1. To review the 2022 remuneration to Directors and employee compensation to managerial officers	Approved	N/A
2023.10.25	3rd meeting of the 5th term	1. To review personnel changes at the management level and their compensation packages	Approved	N/A

(5) The composition, duties and operations of the Sustainable Development Committee:

A. The composition of the Sustainable Development Committee

- (a) The Company’s Sustainable Development Committee comprises five members.
- (b) Term of current Committee members: May 30, 2023 to May 29, 2026. The term is the same as the current Board of Directors.
- (c) The Sustainable Development Committee held three meetings in 2023. The Committee members, their expertise and attendance status are as follows:

Title	Name	Expertise	Attendance in Person	Attendance Rate (%)
Independent Director (Convener)	Shi-Chern Yen	Business and risk management, chemical engineering as well as environment, safety and health	3	100%
Independent Director	Wen-I Lo	Accounting, auditing and risk management	3	100%
Independent Director	Yung-Shun Chuang	Business and risk management	3	100%
Member (President)	Zong-Han Jiang	Management and marketing	3	100%
Member (Chief of Staff)	Fang-I Hsieh	Finance and corporate governance	3	100%

B. Sustainable Development Committee shall exercise due care of a good administrator, duly carry out the following responsibilities and be held accountable to the Board:

- (a) To formulate sustainable development policy.
- (b) To draw up annual plans and strategic directions of sustainable developments.
- (c) To monitor and review the execution and effectiveness of sustainable developments and report to the Board.

(d) To manage matters assigned by the Board.

C. Sustainable Development Committee:

The date and session of the Sustainable Development Committee meetings in 2023, content of motions, the resolutions and actions taken by the Company regarding the Committee's opinions are as follows:

Date of Sustainable Development Committee Meeting	Session	Content of Motions	Resolutions	Actions Taken
2023.05.30	1st meeting of the 2nd term	1. To elect a convener of the second-term Sustainable Development Committee	Approved	N/A
2023.07.05	2nd meeting of the 2nd term	1. To review the Company's risk map	Approved	N/A
2023.12.20	3rd meeting of the 2nd term	1. 2024 sustainable development plan	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	Description	
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 bring positive energy to the world”. 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”. We created a level-one unit - “Sustainable Development Center” in 2022 to promote sustainability matters. On October 25, 2022, we established the Sustainable Development Committee and its charter to formulate and oversee the Company’s sustainable development plans. Functional units reporting to the Committee include sustainable product design, environmental sustainability, social charity, corporate governance and risk management, supply chain management and customer care. Level-one officers of relevant departments would lead the corresponding units. The position of executive secretary is created to assist the convener with monitoring the progress and achievements of each unit. The Chairperson is accountable for supervising the Committee’s operation. We remain concerned with and promote sustainability issues.</p> <p>The Sustainable Development Committee duly performs its duties and reports twice to the Board every year on its progress, outcome and future work plans. It also keeps track of the implementation effectiveness to ensure the sustainable development strategies are fully incorporated into the daily operation of Taiflex. Please refer to page 45 to 46 for details on the composition, duties and operations of the Sustainable Development Committee.</p> <p>The Company sets the following targets on the issue of sustainability:</p> <p>(1) Taiflex has scheduled to invest in biomass in 2024, with the target of generating 2,217,600 kWh of electricity per year and having 9% of the electricity consumed by our Kaohsiung factories generated from renewable energy. The target is to have 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. We set the long-term target of realizing the circular business model of zero waste by 2030, and the short-term targets of having a waste diversion rate of 80% as well as obtaining the UL 2799 certification by 2025.</p>	None

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>2. Information disclosed covers the sustainability performance of our major sites between January to December 2023. The scope of risk assessment focuses on the Company, including our operations in Taiwan and mainland China. To fulfill our commitments to stakeholders as well as respect and maintain their interests, the ESG team would hold meetings with representatives from each department to identify the scope and boundary of concerns. Topics of concerns raised through general communication channels are included along with their level of impact 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 risks assessed 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>Carbon Neutrality</td> <td>The Company is devoted to various energy-saving projects to diminish the environmental impact of energy consumption, and at the same time, committed to the recycling or renewal of waste resources to improve competitiveness. We work towards the management goals of minimum energy consumption and cost optimization. The government has imposed total quantity control on air pollutions in recent years. 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 cycles of raw materials at different stages, such as 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 &amp; recycling, full participation, workplace safety, risk control, energy conservation &amp; carbon reduction, and continuing improvements to reduce the risk of occupational disasters and environmental impact.</td> </tr> <tr> <td>Society</td> <td>Employee Care</td> <td>1. The Company has obtained ISO14001 Environmental Management Systems and ISO45001:2018 Occupational Health and Safety Management Systems certifications (including the factories in China), and continues to enhance workplace safety for employees.</td> </tr> </tbody> </table>	Material Issues	Risk Evaluation Items	Risk Management Policies or Strategies	Environment	Carbon Neutrality	The Company is devoted to various energy-saving projects to diminish the environmental impact of energy consumption, and at the same time, committed to the recycling or renewal of waste resources to improve competitiveness. We work towards the management goals of minimum energy consumption and cost optimization. The government has imposed total quantity control on air pollutions in recent years. 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 cycles of raw materials at different stages, such as 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 environmental impact.	Society	Employee Care	1. The Company has obtained ISO14001 Environmental Management Systems and ISO45001:2018 Occupational Health and Safety Management Systems certifications (including the factories in China), and continues to enhance workplace safety for employees.	None
Material Issues	Risk Evaluation Items	Risk Management Policies or Strategies											
Environment	Carbon Neutrality	The Company is devoted to various energy-saving projects to diminish the environmental impact of energy consumption, and at the same time, committed to the recycling or renewal of waste resources to improve competitiveness. We work towards the management goals of minimum energy consumption and cost optimization. The government has imposed total quantity control on air pollutions in recent years. 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 cycles of raw materials at different stages, such as 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 environmental impact.											
Society	Employee Care	1. The Company has obtained ISO14001 Environmental Management Systems and ISO45001:2018 Occupational Health and Safety Management Systems certifications (including the factories in China), and continues to enhance workplace safety for employees.											

Promotion Items	Status			Non-compliance and Reasons
	Yes	No	Description	
			<p>2. 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>	None
		Customer Care	<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> <p>2. Customer satisfaction is our management philosophy. We are committed to deliver innovative products and services to customers and uphold the core value of accountability 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.</p>	
		Corporate Governance	Regulatory Compliance	

Promotion Items	Status			Non-compliance and Reasons				
	Yes	No	Description					
3. Environmental issues (1) Does the Company establish environmental management system designed to fit industry characteristics?	V		<table border="1"> <tr> <td>Strengthen Director Functions and Fulfill Responsibilities</td> <td> <p>1. Set out key points for the promotion of Director continuing education. Arrange and provide courses based on the core competency map of Directors so that they are aware of the latest laws, regulatory developments and legal responsibilities.</p> <p>2. Provide liability insurances for Directors pursuant to the Articles of Incorporation to protect their rights in the event of litigations or claims resulting from exercising their duties with due care of a good administrator.</p> </td> </tr> <tr> <td>Communication with Stakeholders</td> <td>Taiflex values stakeholder communication and feedback. Relevant information is available on the corporate website at <a href="https://www.taiflex.com.tw/esg_overview.html#esg_popWrap">https://www.taiflex.com.tw/esg_overview.html#esg_popWrap</a></td> </tr> </table>	Strengthen Director Functions and Fulfill Responsibilities	<p>1. Set out key points for the promotion of Director continuing education. Arrange and provide courses based on the core competency map of Directors so that they are aware of the latest laws, regulatory developments and legal responsibilities.</p> <p>2. Provide liability insurances for Directors pursuant to the Articles of Incorporation to protect their rights in the event of litigations or claims resulting from exercising their duties with due care of a good administrator.</p>	Communication with Stakeholders	Taiflex values stakeholder communication and feedback. Relevant information is available on the corporate website at <a href="https://www.taiflex.com.tw/esg_overview.html#esg_popWrap">https://www.taiflex.com.tw/esg_overview.html#esg_popWrap</a>	None
			Strengthen Director Functions and Fulfill Responsibilities	<p>1. Set out key points for the promotion of Director continuing education. Arrange and provide courses based on the core competency map of Directors so that they are aware of the latest laws, regulatory developments and legal responsibilities.</p> <p>2. Provide liability insurances for Directors pursuant to the Articles of Incorporation to protect their rights in the event of litigations or claims resulting from exercising their duties with due care of a good administrator.</p>				
Communication with Stakeholders	Taiflex values stakeholder communication and feedback. Relevant information is available on the corporate website at <a href="https://www.taiflex.com.tw/esg_overview.html#esg_popWrap">https://www.taiflex.com.tw/esg_overview.html#esg_popWrap</a>							
<p>3. (1) All factories and subsidiaries of the Company have established their environmental management systems pursuant to the guidelines of ISO14001:2015 and continued to pass the third-party verifications. Greenhouse gas (GHG) inventory is carried out annually in accordance with the ISO14064-1 and the effects of emission reduction are tracked and disclosed at the sustainability report and the corporate website (<a href="https://www.taiflex.com.tw">https://www.taiflex.com.tw</a>).</p> <p>The Company obtained ISO14001 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 ISO14064-1 Greenhouse Gas Inventory certification through the third-party certification body - BSI in 2017.</p> <p>Later, the Company transited to an updated version and obtained ISO14001:2015 Environmental Management Systems certification in September, 2019; ISO45001:2018 Occupational Health and Safety Management Systems and CNS45001:2018 Chinese National Standard Occupational Health and Safety Management Systems certifications in October 2019; as well as ISO50001 Energy Management certification in December 2021. We have scheduled to complete ISO14064-1:2018 GHG inventory and third-party verification annually from 2022.</p>								

Promotion Items	Status			Non-compliance and Reasons
	Yes	No	Description	
(2) Is the Company committed to improving the energy efficiency and utilizing renewable materials that have low environmental impact?	V		<p>We fully utilize various environmental management systems and carry out continual improvement processes to enhance our management competency, forging a management model conforming to the ESG sustainability standards. We have completed inventory and third-party verification pursuant to GHG inventory standards over the years. Also, we draw up a carbon roadmap, fulfill our corporate social responsibilities and contribute to environmental sustainability.</p> <p>(2) Taiflex is in the electronic component industry, specializing in high-end flexible PCB materials such as Flexible Copper Clad Laminate (FCCL) and polymer film. Electric power and natural gas are the major sources of energy consumed during our manufacturing process. Facing the inevitable increases in energy and environmental costs due to climate changes, we are devoted to various energy-saving projects to reduce GHG emissions and diminish the impact on costs. At the same time, we remain committed to the recycling or renewal of waste resources, working towards the goals of minimum energy consumption and cost optimization to improve competitiveness and fight the global climate changes.</p> <p>Measures taken concerning electricity, natural gases and renewable materials are as follows:</p> <p>A. Electricity: Taiflex pursues the goal of maximizing energy efficiency. We implement various energy-saving measures, optimize e-energy management platform and conduct comprehensive energy inventory, making sure that every single unit of energy consumption are properly used. In 2021, we completed the ISO50001 Energy Management System Platform and the setting of various equipment performance indicators. Compared to the GHG inventory base year, we saved a total of 2,519,828 kWh in 2023, which was equivalent to 1,247 MT CO<sub>2</sub>e of carbon emissions.</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</p>	None

Promotion Items	Status			Non-compliance and Reasons												
	Yes	No	Description													
			<p>collection efficiency of 100%. Furthermore, Taiflex uses zeolite rotor concentrators equipped with Toyobo technology from Japan to save natural gas consumption for waste gases processing. Waste gases collected in the enclosed system are condensed to become auxiliary fuel, which significantly reduces our natural gas consumption. By constantly enhancing our operation processes and management systems and maintaining equipment to operate at optimal condition, we can reduce VOCs emissions as well as natural gas and raw materials consumption, thereby lowering waste of resources and secondary pollutants. Gas consumption of RRTO over the years after the introduction of zeolite rotors is as follows:</p> <p style="text-align: right;">In m<sup>3</sup>/year</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Gas Consumption (m<sup>3</sup>)</th> <th>Compared to Base Year - Reduction</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>154,713,222</td> <td>(Base year)</td> </tr> <tr> <td>2022</td> <td>125,808,221</td> <td>-28,905,001</td> </tr> <tr> <td>2023</td> <td>128,504,152</td> <td>-26,209,070</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 reduction during production, thereby mitigating the environmental impact.  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:  (a) Concentration, condensation, purification and reuse of organic solvents in waste gases:  The recycled volume equaled 353,744 Kg in 2023, of which 227,484 Kg were purified and reused in the production line.  (b) Effective recycling and reuse of waste solvent:  192,572 Kg was processed in-house which generated 148,200</p>	Year	Gas Consumption (m <sup>3</sup> )	Compared to Base Year - Reduction	2021	154,713,222	(Base year)	2022	125,808,221	-28,905,001	2023	128,504,152	-26,209,070	None
Year	Gas Consumption (m <sup>3</sup> )	Compared to Base Year - Reduction														
2021	154,713,222	(Base year)														
2022	125,808,221	-28,905,001														
2023	128,504,152	-26,209,070														



Promotion Items	Status			Non-compliance and Reasons																				
	Yes	No	Description																					
(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>Kg for reuse in 2023. Recycling not only saves the costs of energy but also diminishes the adverse impacts of waste on the environment as we head towards the goal of circular economy.</p> <p>(c) The Company adopts the concept of 3R (Reduce, Reuse and Recycle) for recycling. Total volume processed was 991,690 Kg. This mitigates the environmental impact of incineration.</p> <p>(d) Targets of quantitative management - recycling rates over the years</p> <table border="1"> <thead> <tr> <th>Item</th> <th>2021</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Waste (MT)</td> <td>1,691.1</td> <td>1,219.25</td> <td>1,824.73</td> </tr> <tr> <td>Recycled (MT)</td> <td>788.4</td> <td>642.5</td> <td>991.6</td> </tr> <tr> <td>Reuse rate (%)</td> <td>46.6%</td> <td>52.7%</td> <td>54.3%</td> </tr> <tr> <td>Target</td> <td>40%</td> <td>50%</td> <td>52%</td> </tr> </tbody> </table> <p>The Company aggressively promotes various energy-saving measures. Through green manufacturing, we cut down unnecessary wastes of resources and develop technology for waste reduction and reuse. The entire value chain is involved with the recycling and reuse of packaging materials. As for products, we are dedicated to the testing of renewable materials with low environmental impact to maximize the efficiency of circular economy. Through raw material recycling, waste reduction technology and the design and selling of circular products, we create the value of sustainable operation.</p> <p>(3) As countries around the world strengthen their carbon reduction targets and policies, aiming for net zero emission by 2050, the pressure on business operation and customers' demand for supply chain sustainability have increased.</p> <p>Although Taiflex is not subject to the major electricity consumer clause, we have mapped out relevant investments to reduce carbon emissions in response to the low carbon transition and expectations of international customers, thereby minimizing carbon taxes and the risk of soaring energy costs in subsequent periods.</p> <p>Furthermore, we develop green products in line with the low carbon trend through GHG inventory and the use of low carbon products to boost sales,</p>	Item	2021	2022	2023	Waste (MT)	1,691.1	1,219.25	1,824.73	Recycled (MT)	788.4	642.5	991.6	Reuse rate (%)	46.6%	52.7%	54.3%	Target	40%	50%	52%	None
Item	2021	2022	2023																					
Waste (MT)	1,691.1	1,219.25	1,824.73																					
Recycled (MT)	788.4	642.5	991.6																					
Reuse rate (%)	46.6%	52.7%	54.3%																					
Target	40%	50%	52%																					

Promotion Items	Status			Non-compliance and Reasons
	Yes	No	Description	
(4) Does the Company calculate its GHG emissions, water consumption and total waste weight in the recent two years, and formulate policies for energy conservation, reductions of carbon, GHG and water consumption, or other waste management?	V		<p>improve margins and possibly receive incentive bonus from the government to increase our income.</p> <p>We will continue to follow up and practice climate targets of the Paris Agreement and incorporate these targets into our sustainable development strategy blueprint.</p> <p>The Sustainable Development Committee was established in October 2022 and the Board approved the sustainable development blueprint on January 11, 2023. Units under the Committee include risk management of climate change to promote climate action issues and target management, incorporating sustainable strategies and climate action issues in products, operation and value chain management.</p> <p>The Sustainable Development Committee will establish climate risk management and identification process pursuant to the Task Force on Climate-related Financial Disclosures (TCFD) framework created by the Financial Stability Board (FSB) in 2019. Based on the identification outcome, we would set up response measures, incorporating risk identification and assessment into management process. The framework and response measures of corresponding governance, strategy, risk management, indicator and targets would be implemented under supervision upon Board approval. We have also completed the preliminary analysis on climate risks and opportunities as well as formulated corresponding actions. Please refer to the 2023 sustainability report for details.</p> <p>(4) Details of the Company’s GHG emissions, water consumption and total waste weight in the recent two years and relevant policies are as follows: 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 of our operations. The production volume of Taiflex was 35,892 thousand m<sup>2</sup>, 32,110 thousand m<sup>2</sup> and 26,908 thousand m<sup>2</sup> between 2021 and 2023, respectively. The GHG emissions during operation are listed as follows:</p>	None

Promotion Items	Status			Non-compliance and Reasons																																																
	Yes	No	Description																																																	
			<p style="text-align: right;">Unit: MT CO<sub>2</sub>e</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Scope 1</th> <th>Scope 2</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>10,077</td> <td>20,340</td> <td>30,417</td> </tr> <tr> <td>2022</td> <td>10,936</td> <td>18,215</td> <td>29,151</td> </tr> <tr> <td>2023</td> <td>7,854</td> <td>18,533</td> <td>26,387</td> </tr> </tbody> </table> <p>Note: 1. Scope 1: Direct GHG emissions, Scope 2: Indirect GHG emissions 2. Verification of 2023 GHG inventory data will be carried out in October 2024.</p> <p>Short-term and long-term GHG emission targets of Taiflex: (a) Short-term: Cut scope 1 emission by 10% by 2024 compared to the base year. (b) Long-term: Cut scope 1 emission down to 12% by 2025 compared to the base year</p> <p>Details of electricity generated from in-house solar systems invested by the Group and carbon emission reductions are as follows:</p> <table border="1"> <thead> <tr> <th colspan="3">Electricity from Solar Energy</th> </tr> <tr> <th>Year</th> <th>Electricity (KWh)</th> <th>Carbon Reduction (Kg)</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>-</td> <td>-</td> </tr> <tr> <td>2022</td> <td>450,752</td> <td>229,433</td> </tr> <tr> <td>2023</td> <td>740,922</td> <td>366,756</td> </tr> <tr> <td>Total</td> <td>1,191,674</td> <td>596,189</td> </tr> </tbody> </table> <p style="text-align: center;">2023 Quantitative Management Targets:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Name</th> <th>Reduction in 2023</th> <th>Annual Reduction Target</th> <th>Unit</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Generation of electricity from renewables</td> <td>Power generation</td> <td>792,331</td> <td>&gt;600,000</td> <td>KWh/year</td> </tr> <tr> <td>CO<sub>2</sub>e</td> <td>392,203</td> <td>&gt;300,000</td> <td>Kg/year</td> </tr> </tbody> </table>	Year	Scope 1	Scope 2	Total	2021	10,077	20,340	30,417	2022	10,936	18,215	29,151	2023	7,854	18,533	26,387	Electricity from Solar Energy			Year	Electricity (KWh)	Carbon Reduction (Kg)	2021	-	-	2022	450,752	229,433	2023	740,922	366,756	Total	1,191,674	596,189	Item	Name	Reduction in 2023	Annual Reduction Target	Unit	Generation of electricity from renewables	Power generation	792,331	>600,000	KWh/year	CO <sub>2</sub> e	392,203	>300,000	Kg/year	None
Year	Scope 1	Scope 2	Total																																																	
2021	10,077	20,340	30,417																																																	
2022	10,936	18,215	29,151																																																	
2023	7,854	18,533	26,387																																																	
Electricity from Solar Energy																																																				
Year	Electricity (KWh)	Carbon Reduction (Kg)																																																		
2021	-	-																																																		
2022	450,752	229,433																																																		
2023	740,922	366,756																																																		
Total	1,191,674	596,189																																																		
Item	Name	Reduction in 2023	Annual Reduction Target	Unit																																																
Generation of electricity from renewables	Power generation	792,331	>600,000	KWh/year																																																
	CO <sub>2</sub> e	392,203	>300,000	Kg/year																																																

Promotion Items	Status			Non-compliance and Reasons																														
	Yes	No	Description																															
			<p>B. Water consumption:  Water consumption was 99,207 m<sup>3</sup>, 92,870 m<sup>3</sup> and 92,364 m<sup>3</sup> between 2021 and 2023, 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. RO water is recycled at the factories as cooling water for air conditioning.</p> <table border="1"> <thead> <tr> <th>Factory</th> <th>2021</th> <th>2022</th> <th>2023</th> <th>Changes</th> </tr> </thead> <tbody> <tr> <td>Taiflex 1</td> <td>5,312 m<sup>3</sup></td> <td>5,475 m<sup>3</sup></td> <td>4,905 m<sup>3</sup></td> <td>-570 m<sup>3</sup></td> </tr> <tr> <td>Taiflex 2</td> <td>27,876 m<sup>3</sup></td> <td>27,049 m<sup>3</sup></td> <td>20,641 m<sup>3</sup></td> <td>-6,408 m<sup>3</sup></td> </tr> <tr> <td>Taiflex 3</td> <td>55,074 m<sup>3</sup></td> <td>48,213 m<sup>3</sup></td> <td>48,898 m<sup>3</sup></td> <td>685 m<sup>3</sup></td> </tr> <tr> <td>Taiflex 5</td> <td>10,945 m<sup>3</sup></td> <td>11,539 m<sup>3</sup></td> <td>17,920 m<sup>3</sup></td> <td>6,381 m<sup>3</sup></td> </tr> <tr> <td>Total</td> <td>99,207 m<sup>3</sup></td> <td>92,870 m<sup>3</sup></td> <td>92,364 m<sup>3</sup></td> <td>-506 m<sup>3</sup></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 principles of waste management policy 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 and 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. Hazardous industrial waste is first subject to in-house process through effective management measures in an attempt to reduce the volume outsourced and incineration rate, thereby lower operating costs and mitigating the environmental impact.</p>	Factory	2021	2022	2023	Changes	Taiflex 1	5,312 m <sup>3</sup>	5,475 m <sup>3</sup>	4,905 m <sup>3</sup>	-570 m <sup>3</sup>	Taiflex 2	27,876 m <sup>3</sup>	27,049 m <sup>3</sup>	20,641 m <sup>3</sup>	-6,408 m <sup>3</sup>	Taiflex 3	55,074 m <sup>3</sup>	48,213 m <sup>3</sup>	48,898 m <sup>3</sup>	685 m <sup>3</sup>	Taiflex 5	10,945 m <sup>3</sup>	11,539 m <sup>3</sup>	17,920 m <sup>3</sup>	6,381 m <sup>3</sup>	Total	99,207 m <sup>3</sup>	92,870 m <sup>3</sup>	92,364 m <sup>3</sup>	-506 m <sup>3</sup>	None
Factory	2021	2022	2023	Changes																														
Taiflex 1	5,312 m <sup>3</sup>	5,475 m <sup>3</sup>	4,905 m <sup>3</sup>	-570 m <sup>3</sup>																														
Taiflex 2	27,876 m <sup>3</sup>	27,049 m <sup>3</sup>	20,641 m <sup>3</sup>	-6,408 m <sup>3</sup>																														
Taiflex 3	55,074 m <sup>3</sup>	48,213 m <sup>3</sup>	48,898 m <sup>3</sup>	685 m <sup>3</sup>																														
Taiflex 5	10,945 m <sup>3</sup>	11,539 m <sup>3</sup>	17,920 m <sup>3</sup>	6,381 m <sup>3</sup>																														
Total	99,207 m <sup>3</sup>	92,870 m <sup>3</sup>	92,364 m <sup>3</sup>	-506 m <sup>3</sup>																														

Promotion Items	Status					Non-compliance and Reasons			
	Yes	No	Description						
			Waste and recycling rates in 2023			None			
			Item	Processing Method	Type		MT	Waste Rate	Recycling Rate
			Resources	i Prepared for reuse	Waste adhesive/solvent, waste solvent NMP		231	12.7%	54.3%
				ii Recycling	Waste solvent MEK/NMP, copper sludge waste, mixture containers, waste copper foil, release paper, general recycling, empty drums, pallet recycled, plastic pallet		760	41.6%	
			Non-resources	i Incineration (without energy recovery)	---		383	21%	45.6%
				i Incineration (with energy recovery)	---		450	24.6%	
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.			None			

Promotion Items	Status			Non-compliance and Reasons
	Yes	No	Description	
(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		<p>The Company also recruits disabled people and create appropriate jobs for them. As of the end of 2023, we met the quota of disabled employees and complied with the regulatory requirements of Taiwan.</p> <p>(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 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.</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 personal 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 and trips 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 2023, female employees accounted for 25% of the entire workforce while 15% of the supervisory positions were held by</p>	None

Promotion Items	Status			Non-compliance and Reasons																												
	Yes	No	Description																													
(3) Does the Company provide a safe and healthy work environment and provide safety and health training regularly?	V		<p>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> <p>(3)A. <u>Occupational safety and health (OSH) policy and management:</u>  Taiflex values workplace safety and physical/mental health of employees and considers employees the most valuable assets of the Company. We continue to advocate for a humanistic safety culture, comply with and even surpass domestic OSH regulations and international standards to construct a safe and healthy work environment. We strive to achieve the best healthy workplace of “zero accident”, fulfill our corporate social responsibilities and embrace sustainability as the foundation of our business. We have established five major OSH policies and set six short, medium and long-term targets accordingly for all employees and stakeholders to follow:</p> <table border="1"> <thead> <tr> <th>Policy</th> <th>2023 Target (OSH)</th> <th>2023 Achievement Rate (OSH)</th> <th>2024 Target (OSH)</th> </tr> </thead> <tbody> <tr> <td>Regulatory compliance</td> <td>1. Voluntary participation in health promotion scheme &gt; 40%.</td> <td>1. Voluntary participation in health promotion scheme &gt; 49.1%.</td> <td>1. Voluntary participation in health promotion scheme &gt; 40%.</td> </tr> <tr> <td>Full participation</td> <td>2. Major event and occupational accident (hospitalization): 0 incident.</td> <td>2. Major event and occupational accident (hospitalization): 0 incident.</td> <td>2. Major event and occupational accident (hospitalization): 0 incident.</td> </tr> <tr> <td>Workplace safety</td> <td>3. Disabling injuries frequency rate (FR) ≤ 2.4</td> <td>3. Disabling injuries frequency rate (FR) ≤ 0.63</td> <td>3. Disabling injuries frequency rate (FR) ≤ 2.4</td> </tr> <tr> <td>Risk control</td> <td>4. Disabling severity rate (SR) ≤ 4.4</td> <td>4. Disabling severity rate (SR) ≤ 1.26</td> <td>4. Disabling severity rate (SR) ≤ 4.4</td> </tr> <tr> <td>Continuous improvement</td> <td>5. Improvement rate on potential threat &gt; 93%</td> <td>5. Improvement rate on potential threat &gt; 97%</td> <td>5. Improvement rate on potential threat &gt; 93%</td> </tr> <tr> <td></td> <td>6. Maintain 0 incident</td> <td>6. Maintain 0 incident</td> <td>6. Maintain 0 incident</td> </tr> </tbody> </table>	Policy	2023 Target (OSH)	2023 Achievement Rate (OSH)	2024 Target (OSH)	Regulatory compliance	1. Voluntary participation in health promotion scheme > 40%.	1. Voluntary participation in health promotion scheme > 49.1%.	1. Voluntary participation in health promotion scheme > 40%.	Full participation	2. Major event and occupational accident (hospitalization): 0 incident.	2. Major event and occupational accident (hospitalization): 0 incident.	2. Major event and occupational accident (hospitalization): 0 incident.	Workplace safety	3. Disabling injuries frequency rate (FR) ≤ 2.4	3. Disabling injuries frequency rate (FR) ≤ 0.63	3. Disabling injuries frequency rate (FR) ≤ 2.4	Risk control	4. Disabling severity rate (SR) ≤ 4.4	4. Disabling severity rate (SR) ≤ 1.26	4. Disabling severity rate (SR) ≤ 4.4	Continuous improvement	5. Improvement rate on potential threat > 93%	5. Improvement rate on potential threat > 97%	5. Improvement rate on potential threat > 93%		6. Maintain 0 incident	6. Maintain 0 incident	6. Maintain 0 incident	None
Policy	2023 Target (OSH)	2023 Achievement Rate (OSH)	2024 Target (OSH)																													
Regulatory compliance	1. Voluntary participation in health promotion scheme > 40%.	1. Voluntary participation in health promotion scheme > 49.1%.	1. Voluntary participation in health promotion scheme > 40%.																													
Full participation	2. Major event and occupational accident (hospitalization): 0 incident.	2. Major event and occupational accident (hospitalization): 0 incident.	2. Major event and occupational accident (hospitalization): 0 incident.																													
Workplace safety	3. Disabling injuries frequency rate (FR) ≤ 2.4	3. Disabling injuries frequency rate (FR) ≤ 0.63	3. Disabling injuries frequency rate (FR) ≤ 2.4																													
Risk control	4. Disabling severity rate (SR) ≤ 4.4	4. Disabling severity rate (SR) ≤ 1.26	4. Disabling severity rate (SR) ≤ 4.4																													
Continuous improvement	5. Improvement rate on potential threat > 93%	5. Improvement rate on potential threat > 97%	5. Improvement rate on potential threat > 93%																													
	6. Maintain 0 incident	6. Maintain 0 incident	6. Maintain 0 incident																													

Promotion Items	Status			Non-compliance and Reasons																
	Yes	No	Description																	
			<table border="1"> <tr> <td></td> <td>of occupational disease from chemical exposure</td> <td>of occupational disease from chemical exposure</td> <td>of occupational disease from chemical exposure</td> </tr> </table> <p>(a) Continue to reinforce safety and health management measures</p> <ol style="list-style-type: none"> <li>i. To protect employees from hazardous substance at workplace, we provide employees with healthy and comfortable work environment. The monitoring of operational environment is carried out twice every year to understand the true exposure of employees.</li> <li>ii. In order for internal inspections on machinery, equipment and safety and health items to be conducted voluntarily, thereby eliminating potential operational hazards, the safety management unit conducts audits on five major areas of daily operation, i.e., chemicals, machinery and equipment, on-site environment, fire safety equipment and waste treatment.</li> <li>iii. New recruits are arranged to take OSH education and training during orientation. Assessments would then be conducted to enhance employees' awareness on OSH and operation safety. Employees also undertake OSH training.</li> </ol> <p>(b) Statistical data of OSH training and promotion in the past three years</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Number of Attendees</th> <th>Training Hours</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>1,753</td> <td>1,409.0</td> </tr> <tr> <td>2022</td> <td>2,560</td> <td>2,094.5</td> </tr> <tr> <td>2023</td> <td>2,228</td> <td>1,217.3</td> </tr> </tbody> </table> <p>In order to improve the physical and mental health of employees, we are committed to improve the health conditions of employees with a combination of internal and external resources. Through occupational disease and health hazard prevention management and regular physical and mental assessments and assistance measures, we prevent occupational injuries and diseases and safeguard the health of individuals.</p> <p><u>B. Certifications:</u> Taiflex obtained the ISO45001 certification ahead of peers in 2020. We have established quantitative indicators under systematic operation, expand OSH activities to products and relevant services, enhance the overall OSH</p>		of occupational disease from chemical exposure	of occupational disease from chemical exposure	of occupational disease from chemical exposure	Year	Number of Attendees	Training Hours	2021	1,753	1,409.0	2022	2,560	2,094.5	2023	2,228	1,217.3	None
	of occupational disease from chemical exposure	of occupational disease from chemical exposure	of occupational disease from chemical exposure																	
Year	Number of Attendees	Training Hours																		
2021	1,753	1,409.0																		
2022	2,560	2,094.5																		
2023	2,228	1,217.3																		



Promotion Items	Status			Non-compliance and Reasons												
	Yes	No	Description													
(4) Has the Company established effective career development training programs for employees?	V		<p>performance and effectively control risks. In 2023, the ISO45001 certification is renewed and we obtained the Taiwan Occupational Safety and Health Management Systems (TOSHMA) certification which is valid from August 2022 to August 2025.</p> <p>C. <u>Statistics of disabling injuries in the past three years are as follows:</u></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Fatal Accidents</th> <th>Disability Accidents</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>Male:0 Female:0</td> <td>Male:1 Female:2</td> </tr> <tr> <td>2022</td> <td>Male:0 Female:0</td> <td>Male:7 Female:2</td> </tr> <tr> <td>2023</td> <td>Male:0 Female:0</td> <td>Male:5 Female:0</td> </tr> </tbody> </table> <p>Our Frequency-Severity Indicator (FSI) in 2023 was 0.03. Compared to our target of 0.1, we had met the target and improved our performance compared to 2022. There was one on-site disabling injuries and four employees suffered disabling injuries from commuting, which added up to a total of five employees with incidents. We have yet to achieve the target of zero accident.</p> <p>In view of increasing number of commuting incidents and the causes of accidents were mostly due to a lack of awareness on defensive driving, relevant courses were arranged in 2023. We increased employees' safety awareness through physical (two sessions) and online (two session) courses. Furthermore, we continue to conduct periodic motorcycle inspections for the safety of employees.</p> <p>With disaster precaution and prevention being the core concepts, we utilize proper management tools, sophisticated technology and resources available to integrate OSH issues at operation and provide effective solutions to improve our OSH culture. The Company has rules which clearly define individuals' responsibilities and tasks in major events such as fire, natural disasters and infectious disease. Sessions on safety measures and drills are held regularly.</p>	Year	Fatal Accidents	Disability Accidents	2021	Male:0 Female:0	Male:1 Female:2	2022	Male:0 Female:0	Male:7 Female:2	2023	Male:0 Female:0	Male:5 Female:0	None
			Year	Fatal Accidents	Disability Accidents											
2021	Male:0 Female:0	Male:1 Female:2														
2022	Male:0 Female:0	Male:7 Female:2														
2023	Male:0 Female:0	Male:5 Female:0														
<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>																

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>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&amp;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.</p> <p>There were 6,417 participants with 18,526 career training hours in 2023. The focus was on professional competency. The Company also has in place a comprehensive performance management mechanism. Through regular performance interviews, managers and employees can discuss and draw up individual development plans together. Results and feedback are regularly monitored to assist employees with continuous development.</p> <p>(5) To extend our global reach, we proactively obtain various international safety certifications to ensure the quality, safety and reliability of our products. International certificates of the Company include:  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.  Japan Electrical Safety &amp; Environment Technology Laboratories (JET): JET</p>	None

Promotion Items	Status			Non-compliance and Reasons				
	Yes	No	Description					
(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>issues certification logos to electrical products which meet the safety standards stipulated by Japanese government. It is a certification body designated by the Japanese government to conduct inspections and product testing for factories of electrical products. 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>In addition to protecting the customer rights through international certifications, we also value their opinions and level of satisfaction concerning our services. Thus, we set up a stakeholder section on the corporate website as a complaint channel to understand the needs of customers and address their concerns with care.</p> <p>(6) Taiflex requires all suppliers (including new/potential ones) to comply with the quality management system, the environment, safety and health (ESH) management system and the AEO evaluation. Through our supplier procurement procedures, we examine suppliers by indicators including basic information, relevant certifications, quality assurance records, ESH management investigation, operation, product information, manufacturing process, financial status of raw material suppliers under business continuity management, procurement contracts, green product management, and social responsibilities.</p> <p>By establishing a supply chain management framework for risk control and prompting suppliers to advance together, we create greater shared value and influence. In 2023, our suppliers must fully comply with the following requirements:</p> <table border="1"> <tr> <td rowspan="3">Supplier assessment</td> <td>Qualified suppliers shall pass the supplier assessment first and fully comply with the Supplier Code of Conduct. They shall also sign the Corporate Social Responsibility Statement.</td> </tr> <tr> <td>Suppliers of raw materials used during our manufacturing process shall have their production factories passed the criteria under ISO9001 Quality Management System</td> </tr> <tr> <td>To ensure contractors of facilities and relevant operations can fully understand ESG trends, carbon reduction measures and international certifications during the evaluation process, and</td> </tr> </table>	Supplier assessment	Qualified suppliers shall pass the supplier assessment first and fully comply with the Supplier Code of Conduct. They shall also sign the Corporate Social Responsibility Statement.	Suppliers of raw materials used during our manufacturing process shall have their production factories passed the criteria under ISO9001 Quality Management System	To ensure contractors of facilities and relevant operations can fully understand ESG trends, carbon reduction measures and international certifications during the evaluation process, and	None
Supplier assessment	Qualified suppliers shall pass the supplier assessment first and fully comply with the Supplier Code of Conduct. They shall also sign the Corporate Social Responsibility Statement.							
	Suppliers of raw materials used during our manufacturing process shall have their production factories passed the criteria under ISO9001 Quality Management System							
	To ensure contractors of facilities and relevant operations can fully understand ESG trends, carbon reduction measures and international certifications during the evaluation process, and							

Promotion Items	Status			Non-compliance and Reasons										
	Yes	No	Description											
			<table border="1"> <tr> <td></td> <td>plan to organize online or offline ESG seminars for contractors, encouraging them to obtain relevant certifications or develop relevant competences.</td> </tr> <tr> <td></td> <td>Suppliers are required to obtain valid factory registration certificates issued by the government and ISO14001 environmental management certification of their business category.</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 deficiencies, thereby jointly enhancing product quality and production technology as well as improving ESH performance. Automation equipment is also adopted to increase production and reduce occupational hazards.</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 meeting and recognition</td> <td>Taiflex held supplier meeting in 2023. Besides communicating the Company's sustainability beliefs and targets, we recognized suppliers with outstanding performance and contributions in three aspects: quality improvement, cost reduction and technology enhancement.</td> </tr> </table>		plan to organize online or offline ESG seminars for contractors, encouraging them to obtain relevant certifications or develop relevant competences.		Suppliers are required to obtain valid factory registration certificates issued by the government and ISO14001 environmental management certification of their business category.	Supplier audit	Taiflex has set up an audit unit and a counselling team to monitor suppliers' progresses in improving deficiencies, thereby jointly enhancing product quality and production technology as well as improving ESH performance. Automation equipment is also adopted to increase production and reduce occupational hazards.	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 meeting and recognition	Taiflex held supplier meeting in 2023. Besides communicating the Company's sustainability beliefs and targets, we recognized suppliers with outstanding performance and contributions in three aspects: quality improvement, cost reduction and technology enhancement.	None
	plan to organize online or offline ESG seminars for contractors, encouraging them to obtain relevant certifications or develop relevant competences.													
	Suppliers are required to obtain valid factory registration certificates issued by the government and ISO14001 environmental management certification of their business category.													
Supplier audit	Taiflex has set up an audit unit and a counselling team to monitor suppliers' progresses in improving deficiencies, thereby jointly enhancing product quality and production technology as well as improving ESH performance. Automation equipment is also adopted to increase production and reduce occupational hazards.													
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 meeting and recognition	Taiflex held supplier meeting in 2023. Besides communicating the Company's sustainability beliefs and targets, we recognized suppliers with outstanding performance and contributions in three aspects: quality improvement, cost reduction and technology enhancement.													
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, <a href="https://www.taiflex.com.tw">https://www.taiflex.com.tw</a> , 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										

Promotion Items	Status			Non-compliance and Reasons
	Yes	No	Description	
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 “Sustainable Development Best Practice Principles,” providing guidance on topics of environmental protection, community participation, contribution to society, service to society, public welfare, consumer rights and interests, human rights, safety and health, etc. Information can be downloaded from the corporate website. Please refer to Implementation of Sustainable Developments under III. Corporate Governance (page 47 to 71) of this annual report or the Company’s sustainability 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, public welfare, 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 continually improve its environmental protection management standards. Resource is recycled based on the concept of 3R (Reduce, Reuse and Recycle). Packaging materials are reused to reduce waste and cost. The Company aims to achieve zero waste through continuous improvement on the recycling rate. In addition to compliance with national environmental policies and regulations, the Company also spends an enormous amount of money on environmental improvement and green product research and development. In terms of air pollution control, optimal prevention equipment is adopted to achieve process efficiency of 98% and above, which effectively mitigate the environmental impact. Also, 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, social contribution, social services, and public welfare: A. Taiflex employees initiated the Youth Care Club in 2011, and established the Kaohsiung City Youth Care Association in 2012. The Taiflex Volunteers was also established. It has been thirteen years since the establishment of the Association and it continues to make progress and organize public welfare activities, such as blood donation, school camps, caring for disadvantaged children, and charity movie event/concerts. It strengthens its community participation with actions and contributes to sustainable developments! Expenses of activities organized by the Association amounted to NT\$1,058,500 in 2023. A total of 50 volunteers were actively involved with the promotion of various public welfare activities, which were planned around the four themes of 1. scholarships for education, 2. diverse experiences, 3. industry-academia collaboration, and 4. arts and culture sponsorships. Sustainable development actions were executed by volunteers. We provide “public welfare care”, “education assistance” and “common good of the community” to our target groups who are economically disadvantaged children and families.				

Promotion Items	Status			Non-compliance and Reasons
	Yes	No	Description	
Welfare activities took place in 2023 are summarized as follows:				
Jan. 2023			Sponsored Siao Gang Senior High School's basketball team	
Feb. 2023			Received trophy from Kaohsiung Export Processing Zone Administration for participating in blood donation activities	
Apr. 2023			Educational Assistance Program: Scholarships for the surviving family members of Taiflex Group employees	
Jul. 2023			Co-organized National Sun Yat-sen University Youth Leadership Development Camp (2 days) and National Cheng Kung University 3Q Teen Leadership Camp (3 days)	
Sep. 2023			Sponsored the new production of Neo-Classical Chamber Ensemble in 2023, "Soundscape Documentary Music Theatre-25's Cijin White Roses Chronicle"	
Oct. 2023			Green mobility and low carbon life: Encourage Taiflex employees to take on bike commuting	
Nov. 2023			Sponsored the EDU Power program of Chung-Shan Industrial & Commercial School - Go eco experience and family gatherings of three generations with activities demonstrating respect for the elderly and care for the youth	
Dec. 2023			Hosted the Kaohsiung study tours with the Puren Youth Care Foundation for eight consecutive years	
Dec. 2023			Free Movie Event for Charity at Christmas - Big	
B. Performance of aforementioned charitable activities is summarized as follows:				
Item		Performance		
Total number of participants		50 participants		
Number of beneficiaries		Over 1,000 people		
Amount sponsored		NT\$1,059 thousand		
(3) Consumer rights and interests: The Company complies with contractual terms and fulfills its obligations to protect the rights of consumers and the Company.				
(4) Human rights: The Company provides equal employment opportunities to all individuals, regardless of gender, color, language, 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 oversee the implementation of various safety and health measures.				

(6) Climate-related Information of TWSE/TPEX-Listed Companies

A. Implementation of climate-related information

Item	Implementation status
1. Describe the oversight and governance of the Board and management on climate-related risks and opportunities.	<p>(1) The Board assesses the effectiveness of climate response strategies based on the project outcomes of functional units summarized by the Sustainable Development Committee at least once every year.</p> <p>(2) The Sustainable Development Committee formulates policies and improvement targets based on the discussion results or resolutions of the Board and passes on to each functional unit for execution.</p>
2. Describe how the identified climate risks and opportunities would affect the business, strategy, and finance of the entity (short, medium, and long-term).	<p><b>Short-term:</b>  <b>Risk:</b> Uncertainties regarding the demand for 100% renewables from end customers and relevant specifications as well as insufficient domestic supply of renewables increase the complexity and risk of renewable investments.  <b>Opportunity:</b> By improving internal processes, we can increase the recycling and reuse rates of resources (i.e., 100% recycling and reuse of solvents), thereby significantly reducing Scope 1 emissions, enhancing corporate image and enjoying a competitive edge when competing for customer orders.</p> <p><b>Medium to long-term:</b>  <b>Risk:</b> Carbon neutrality and the corresponding trend of 100% renewables will add on to the costs and investment requirements for businesses. Companies need to increase their investments on process improvement and installation of renewable systems. In the long run, failing to satisfy the net zero requirements of customers or the governments would affect a company's ability to continue as a going concern.  <b>Opportunity:</b> Green product research and development, process improvement and the use of renewables would boost the customers' willingness to purchase. In addition to expanding market shares, this would be an intangible competitive advantage to companies. Therefore, we will start our transition early in pursuing net zero emission. By being the leading company among peers, we can attract more customer collaborations, thereby compensating the costs and expenses of climate risks. We can even seize relevant business opportunities and expand our market shares to drive sustainable developments.</p>
3. Describe the financial impact of extreme weather events and transition activities.	<p>Extreme weather events may result in temporary suspension of operation or decreasing efficiency of the entire supply chain, leading to financial and business losses. The key impact of transition is topics associated with carbon neutrality, which will push us to increase capital expenditure, bringing about a higher cost of operation. If we fail to</p>

Item	Implementation status
	outperform our competitors where carbon neutrality is concerned, end customers may cut down their purchases with us and that would then affect our financial performance.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	Based on the climate risk analysis of the corporate governance and risk management units, the Sustainable Development Committee would inventory existing resources and the financial impact of changes in the external environment to draw up climate response strategies and various projects.
5. If scenario analysis is used to assess the resilience to climate change risks, the scenarios, parameters, assumptions and analysis factors used as well as major financial impacts shall be described.	N/A
6. If there is a transition plan for managing climate-related risks, describe the plan details, and the indicators and targets used to identify and manage physical risks and transition risks.	N/A
7. If internal carbon pricing is used as a planning tool, the basis for setting the price shall be stated.	N/A
8. If climate-related targets have been set, the activities covered, the scope of GHG emissions, the planning horizon, and the progress achieved each year shall be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or the quantity of RECs to be offset shall be specified.	N/A
9. GHG inventory and assurance status as well as reduction targets, strategy, and concrete action plans. (Data available in 1-1 and 1-2)	Please refer to tables below.



1-1. GHG inventory and assurance status in the recent two years

1-1-1 GHG inventory information

Describe the GHG emission volume (MT CO <sub>2e</sub> ), intensity (MT CO <sub>2e</sub> /NT\$ million), and data coverage in the recent two years.		
GHG Emissions of Taiflex in the Recent Two Years (MT CO <sub>2e</sub> ):		
Year	2022	2023
Scope1	10,936.00	7,854.07
Scope 2	18,215.25	18,533.19
Total	29,151.25	26,387.26
Emission intensity (MT CO <sub>2e</sub> / NT\$ millions)	3.9999	3.8589
Data coverage	Taiflex 1, 2, 3 and 5	Taiflex 1, 2, 3 and 5
Assurance agency	SGS Taiwan Limited	TÜV Rheinland (scheduled for October)
Note:		
<p>1. Scope 1 emissions are direct emissions (i.e., emissions directly from sources owned or controlled by the Company). Scope 2 emissions are indirect energy emissions (i.e., indirect GHG emissions from electricity, heat, or steam).</p> <p>2. The intensity of GHG emissions may be calculated per unit of product/service or revenue. The parent company only revenue of the Company amounted to NT\$7,288 million and NT\$6,838 million in 2022 and 2023, respectively.</p> <p>3. In accordance with the Sustainable Development Roadmap of TWSE and TPEx-listed Companies, the inventory and assurance of the parent company shall be completed by 2026 and 2028, respectively. We had completed both in 2022.</p>		

1-1-2 GHG assurance information

Describe the assurance status in the recent two years, including the assurance scope, agency, standards, and opinion.	
<p>Basic information of the Company</p> <p><input type="checkbox"/> Companies with capital of NT\$10 billion or above, the iron and steel industry, or the cement industry</p> <p><input type="checkbox"/> Companies with capital of NT\$5 billion or above but less than NT\$10 billion</p> <p><input checked="" type="checkbox"/> Companies with capital under NT\$5 billion</p>	<p>Minimum disclosure required by the Sustainable Development Roadmap for TWSE/TPEx-Listed Companies:</p> <p><input type="checkbox"/> Inventory for parent company only</p> <p><input type="checkbox"/> Inventory for all consolidated entities</p> <p><input type="checkbox"/> Assurance for parent company only</p> <p><input type="checkbox"/> Assurance for all consolidated entities</p>

Assurance status:		
Year	2022	2023
Scope	Taiflex 1, 2, 3 and 5	
Agency	SGS Taiwan Limited	TÜV Rheinland
Standards	ISO14064-1:2018	
Opinion	Reasonable assurance for Scope 1 + Scope 2, and limited assurance for Scope 3	The complete GHG assurance opinion has yet to be available (Note 1)

Note 1: As of the date of this annual report, the Company has yet to obtain a complete GHG assurance opinion. The information will be disclosed in the next annual report.

#### 1-2 GHG reduction targets, strategy, and concrete action plans

Specify the GHG reduction base year and its data; the reduction targets, strategy and concrete action plans; and the status of target achievement.					
With 2021 being the base year, we conduct audits every year to examine the differences compared to the base year as well as formulate corresponding carbon reduction plans:					
	2021 (Base year)	2022	Compared to Base Year (%)	2023	Compared to Base Year (%)
Scope 1	10,077.93	10,936.00	8.5%	7,854.07	-22.1%
Scope 2	20,340.13	18,215.25	-10.4%	18,533.19	-8.9%
Scope 1 + Scope 2	30,418.06	29,151.26	-4.2%	26,387.26	-13.3%
<ul style="list-style-type: none"> <li>● Short-term reduction targets (2024): <ul style="list-style-type: none"> <li>- 4% reduction in Scope 1 emissions with 2021 being the base year.</li> <li>- Renewable energy accounts for 1% of total electricity consumption.</li> <li>- Taiflex Green Power Co., Ltd. (a subsidiary) with a cumulative installed renewable energy capacity of 1,657 kW.</li> </ul> </li> <li>● Medium-term reduction targets (2025-2027) <ul style="list-style-type: none"> <li>- -12% reduction in Scope 1 emissions with 2021 being the base year.</li> <li>- Renewable energy accounts for 6% of total electricity consumption.</li> <li>- Taiflex Green Power Co., Ltd. (a subsidiary) with a cumulative installed renewable energy capacity of 2,949 kW.</li> </ul> </li> <li>● Long-term reduction targets (2028~): <ul style="list-style-type: none"> <li>- &gt;27% reduction in Scope 1 emissions with 2021 being the base year.</li> <li>- Renewable energy accounts for 10% of total electricity consumption.</li> <li>- Taiflex Green Power Co., Ltd. (a subsidiary) with a cumulative installed renewable energy capacity of 3,379 kW.</li> </ul> </li> </ul>					

Performance:

- Scope 1 + Scope 2 emissions reduced by 4.2% in 2022 compared to 2021, i.e., approximately 1,267 MT CO<sub>2</sub>e.
- Replacement of ceramic media within the RRTO at Taiflex 2 between October and November 2022 led to a decrease in natural gas consumption of 193.070 km<sup>3</sup>, which was approximately a carbon reduction of 1,707 MT CO<sub>2</sub>e. The use of synthetic adhesives containing VOCs dropped by 24% compared to 2022, which was approximately a carbon reduction of 539 MT CO<sub>2</sub>e.
- The zeolite rotor concentrator installed at Taiflex 3 in 2022 condensed VOCs to become auxiliary fuel, which significantly reduces the natural gas consumption of RTO. In 2023, the natural gas consumption was cut by 44.579 km<sup>3</sup>, which was approximately a carbon reduction of 462 MT CO<sub>2</sub>e. The use of synthetic adhesives containing VOCs dropped by 26% compared to 2022, which was approximately a carbon reduction of 163 MT CO<sub>2</sub>e.
- The installed capacity of Taiflex Green Power Co., Ltd. (a subsidiary) totaled 1,614 kW in 2023. It plans to start green power buyback and onsite self-use power generation in 2024. At the end of 2023, it participated in the second round of auction for small-amount green power purchases organized by Taipower and won the bid for 10,000 kWh, which will be used by Taiflex 2 in 2024.

(7) 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 compliant system in the schemes to prevent unethical conduct, and does the Company</p>	V		<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 in charge of 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> <p>A. Offering and acceptance of bribes</p> <p>B. Provision of illegal political contribution</p> <p>C. Improper charitable donations or sponsorship</p> <p>D. Offering or acceptance of unreasonable gifts, hospitality or other improper benefits</p> <p>E. Infringement of trade secrets, trademarks, patents, copyrights and other intellectual property rights</p> <p>F. Unfair competition</p> <p>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> <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 of misconduct, whistleblowers could receive a citation of merit</p>	None

Assessment Items	Status			Non-compliance and Reasons
	Yes	No	Description	
implement them accordingly and regularly review those schemes?			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 2023.</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. Moreover, in order to thoroughly implement the rules regarding conflict of interest and prevent damage to the Company, the Internal Auditing Office will soon establish a whistleblowing</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>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 and confidentiality mechanism to protect whistleblowers from retaliation.</p>	None
<p>4. Enhancement on information disclosure</p> <p>Does the Company disclose its principles of business ethics and information about implementation of such guidelines on its website and MOPS?</p>	V		<p>The Company has disclosed the “Principles of Business Ethics” on the corporate website at <a href="https://www.taiflex.com.tw">https://www.taiflex.com.tw</a> and the MOPS website at <a href="http://mops.twse.com.tw">http://mops.twse.com.tw</a>. Relevant information can also be found in this annual report.</p>	None
<p>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:</p>				

Assessment Items	Status			Non-compliance and Reasons
	Yes	No	Description	
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.): Besides listing the Principles of Business Ethics as a mandatory course for orientation program, we incorporate relevant principles into the employee reward and discipline policy and the code of conduct for suppliers, thereby instilling ethics into daily operation. Also, we follow ethical guidelines for all business transactions and encourages business partners to follow suit.				

- (8) 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, the Charter for Sustainable Development Committee, Risk Management Policies and Procedures, 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.
- (9) Other important information to facilitate better understanding of the Company’s corporate governance:
- A. Procedures for internal material information: The Company has established the “Procedures for Handling Material Information and Preventing 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.

(10) Internal Control System Execution Status:

A. Statement of Internal Control System

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

February 20, 2024

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 2023:

1. Taiflex's Board of Directors and management are in charge of 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, 2023, 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 Exchange Act.
7. This Statement has been approved in the Board of Directors' meeting on February 20, 2024, 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.



(11) 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.

(12) 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	2023.05.30	<ol style="list-style-type: none"> <li>1. Approved the Company’s audited 2022 financial statements</li> <li>2. Amended the Company’s “Procedures for Acquisition or Disposal of Assets”</li> <li>3. Completed the election of all Directors</li> <li>4. Released the new Directors from non-compete clause</li> </ol>
Board Meeting	2023.01.11	<ol style="list-style-type: none"> <li>1. Approved the Company’s distribution of 2022 compensation to employees and remuneration to Directors</li> <li>2. Approved the Company’s 2022 net income bonus to managerial officers</li> <li>3. Established the Company’s sustainable development policies and 2023 sustainable development plans</li> <li>4. Amended the Company’s Rules Governing the Issuance and Exercise of 2022 Employee Stock Options</li> <li>5. Approved the change of finance and accounting officer</li> <li>6. Approved the Company’s 2023 operation plan and capital expenditure budget</li> <li>7. Approved the election of all Directors</li> <li>8. Approved matters associated with the nomination of Directors (including Independent Directors) for the 2023 Annual Shareholders’ Meeting</li> <li>9. Formulated plans associated with agenda of the 2023 Annual Shareholders’ Meeting</li> <li>10. Approved matters associated with shareholders’ right to propose for the 2023 Annual Shareholders’ Meeting</li> </ol>
Board Meeting	2023.02.22	<ol style="list-style-type: none"> <li>1. Approved the Company’s 2022 assessment on the effectiveness of internal control system and issuance of the “Statement of Internal Control System”</li> <li>2. Determined the issue date and exercise price of 2022 employee stock options</li> <li>3. Approved the Company’s 2022 business report and financial statements</li> <li>4. Approved the Company’s 2022 earnings distribution</li> <li>5. Approved the distribution of cash from capital surplus</li> <li>6. Appointed the Company’s CPAs for 2023 and assessed their independence and suitability</li> <li>7. Approved the provision of Letter of Comfort for investee - Koatech Technology Corporation</li> <li>8. Amended the Company’s “Procedures for Acquisition or Disposal of Assets”</li> <li>9. Approved the proposal of prior approvals from the governance unit for the provision of non-assurance services to the Company and its subsidiaries by the CPA firm and its affiliates</li> </ol>

Shareholders / Board Meetings	Date	Major Resolutions
		10. Approved the release of the Company’s managerial officers from the non-compete clause 11. Proposed and reviewed the list of Director (including Independent Director) candidates 12. Approved the release of new Directors from non-compete clause 13. Approved amendments to plans associated with agenda of the 2023 Annual Shareholders’ Meeting
Board Meeting	2023.04.26	1. Approved the consolidated financial statements for the three months ended March 31, 2023 2. Formulated the Company’s “Procedures for the Preparation and Assurance of Sustainability Reports” 3. Approved the provision of endorsement and guarantee to subsidiaries
Board Meeting	2023.05.30	1. Elected the Company’s 10th-term Chairperson 2. Appointed the Company’s 5th-term “Compensation Committee” members 3. Appointed the Company’s 2nd-term “Sustainable Development Committee” members
Board Meeting	2023.06.07	1. Reviewed the distribution of 2022 remuneration to Directors and compensation to managerial employees 2. Approved matters relating to the ex-dividend scheme for 2023
Board Meeting	2023.07.26	1. Established positions of Chief Information Security Officer and Information Security Officer 2. Reviewed the Company’s risk map 3. Approved the consolidated financial statements for the six months ended June 30, 2023 4. Approved the provision of endorsement and guarantee to subsidiaries 5. Approved the provision of Letter of Comfort for investees - Taichem Materials Co., Ltd. and Koatech Technology Corporation
Board Meeting	2023.10.25	1. 2024 audit plan of the internal auditing office 2. Approved the Company’s organizational changes 3. Reviewed personnel changes at the management level and their compensation packages 4. Approved the consolidated financial statements for the nine months ended September 30, 2023 5. Approved the limit for loans to subsidiaries 6. Approved the Company’s disposal of operating equipment to a related party

**B. Execution of resolutions of 2023 Annual Shareholders’ Meeting:**

- (a) Approved the audited 2022 financial statements

Voting Results

(In Shares)

Total Votes	Votes For	Votes Against	Abstain
164,673,600	161,179,854	4,665	3,489,081
100.00%	97.88%	0.00%	2.12%

- (b) Approved amendments to the Company’s “Procedures for Acquisition or Disposal of Assets”

Execution: The Company has proceeded in accordance with the amended Procedures for Acquisition or Disposal of Assets, which is available on the corporate website.

Voting Results (In Shares)

Total Votes	Votes For	Votes Against	Abstain
164,673,600	158,662,909	2,119,176	3,891,515
100.00%	96.35%	1.29%	2.36%

- (c) Approved the release of new Directors from non-compete clause

Execution: Relevant information is available on the corporate website.

Voting Results (In Shares)

Total Votes	Votes For	Votes Against	Abstain
164,673,600	152,371,568	8,404,138	3,897,894
100.00%	92.53%	5.10%	2.37%

- (13) Different opinions expressed by Directors or Supervisors regarding major resolutions, either by recorded statement or in writing, in the most recent year and as of the date of this annual report: None.
- (14) Resignation or discharge of Chairperson, President and Officers of Accounting, Finance, Internal Audit, Corporate Governance and Research and Development in the most recent year and as of the date of this annual report:

March 26, 2024

Title	Name	Onboard Date	Resignation Date	Reason
Finance and Accounting Officer	Fang-I Hsieh	July 1, 2006	February 1, 2023	Job adjustment

## 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	Jheng-Chu Chen and Ching-Piao Cheng	2023	3,270	435	3,705	Non-audit fee included tax compliance audits of NT\$100 thousand, audits on the physical inventory of 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: None.
- (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 of Change	February 20, 2024		
Reasons for Change and Explanation	Due to internal organizational changes in Ernst & Young, CPAs, Jheng-Chu Chen and Ching-Piao Cheng, were replaced by Shih-Chieh Huang 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	Shih-Chieh Huang and Ching-Piao Cheng
Date of Engagement	February 20, 2024
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 of the Regulations: 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	2023		By March 26, 2024	
		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	Chein-Ming Hsu	7,695	0	0	0
Director	Ching-Yi Chang	0	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	0	0	0	0
Independent Director	Wen-I Lo	0	0	0	0
Independent Director	Shi-Chern Yen	0	0	0	0
Independent Director	Yung-Shun Chuang	0	0	0	0
Major shareholder (Note 1)	Chang Wah Electromaterials Inc.	(22,000)	0	(8,000)	0
President	Zong-Han Jiang	0	0	0	0
Vice President and Chief Information Security Officer	Jiang-Zhi Zhao	0	0	0	0
Vice President (Note 2)	Chin-Te Ni	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
Senior Assistant Vice President	Chia-I, Li	0	0	0	0
Assistant Vice President	Xin-Yuan Chen	1,930	0	0	0
Assistant Vice President	Kuo-Liang Chiang	0	0	0	0
Assistant Vice President	Yu-Han Huang	0	0	0	0
Assistant Vice President	Yu-Meng Hsu	0	0	0	0
Assistant Vice President	I-An Chen	0	0	0	0
Assistant Vice President	Meng-Wu, Chen	0	0	0	0
Assistant Vice President	Jen-Kai, Huang	0	0	0	0
Chief of Staff	Fang-I Hsieh	0	0	(88,000)	0
CFO and Corporate Governance Officer	Chi-Yuan Pan	0	0	0	0

Note 1: Chang Wah Electromaterials Inc. was no longer a major shareholder as of January 2, 2024.

Note 2: A new managerial officer in 2024.

(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 26, 2024 (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 26, 2024; (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. (Note) Representative: Chuen-Sing Hung	20,906,000	9.997	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	10,335,120	4.94	0	0	0	0	-	-	-
Huasheng International Investment Corp. Representative: Zhi-Cheng Zhang	8,508,945	4.07	0	0	0	0	-	-	-
E Ink Holdings Inc. Representative: Johnson Lee	5,936,000	2.84	0	0	0	0	-	-	-
Ching-Yi Chang	5,829,282	2.79	2,000	0	0	0	-	-	-
Chang Wah Technology Co., Ltd. Representative: Canon Huang	4,251,000	2.03	0	0	0	0	-	-	-
Asia Pacific Consolidated Equity Finance of Citigroup Global Markets Inc. in custody of Citibank	3,180,040	1.52	0	0	0	0	-	-	-
Yingruiji Funds in custody of Standard Chartered Bank Main Branch	3,000,040	1.43	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	-	-	-

Note: As of January 2, 2024, Chang Wah Electromaterials Inc. was no longer a major shareholder of the Company as its shareholding percentage in the Company dropped below 10%. The calculation of shareholding percentage is rounded down to three decimal places.

**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	16,124	52.97	2,688	8.83	18,812	61.80
Innovision FlexTech Corp.	3,419	12.97	4	0.01	3,423	12.98
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
Taichem Materials Co., Ltd.	17,000	100.00	0	0	17,000	100.00
Taiflex Green Power Co., Ltd.	5,000	100.00	0	0	5,000	100.00
Taiflex Scientific (Thailand) Co., Ltd.	91,600	100.00	0	0	91,600	100.00
KTC Global Co., Ltd.	0	0	3,960	100.00	3,960	100.00
KTC PanAsia Co., Ltd.	0	0	3,955	100.00	3,955	100.00
Kunshan Koatech Technology Corporation (Note 2)	0	0	0	100.00	0	100.00

Note 1: Long-term investments of the Company as of December 31, 2023.

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 26, 2024 (In Shares; NT\$)

Year/ Month	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 26, 2024 (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 26, 2024 (In People; Shares; %)

Type \ Quantities	Government Agencies	Financial Institutions	Other Juridical Persons	Natural Persons	Foreign Institutions and Natural Persons	Total
Number of Shareholders	0	5	303	40,269	121	40,698
Shares	-	2,805,600	68,452,502	105,795,541	32,066,049	209,119,692
%	-	1.34	32.73	50.60	15.33	100.00



(3) Shareholding Distribution

A. Common share:

As of March 26, 2024 (In Shares; %)

Shareholding	Number of Shareholders	Number of Shares	%
1 ~ 999	27,495	755,403	0.36%
1,000 ~ 5,000	10,094	20,344,491	9.73%
5,001 ~ 10,000	1,593	12,353,391	5.91%
10,001 ~ 15,000	491	6,118,542	2.93%
15,001 ~ 20,000	293	5,369,315	2.57%
20,001 ~ 30,000	240	5,961,659	2.85%
30,001 ~ 40,000	133	4,783,101	2.29%
40,001 ~ 50,000	69	3,158,168	1.51%
50,001 ~ 100,000	130	9,149,985	4.38%
100,001 ~ 200,000	72	9,779,832	4.68%
200,001 ~ 400,000	34	9,465,953	4.53%
400,001 ~ 600,000	15	7,323,969	3.50%
600,001 ~ 800,000	7	4,954,766	2.37%
800,001 ~ 1,000,000	6	5,587,145	2.67%
Over 1,000,001	26	104,013,972	49.72%
Total	40,698	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 26, 2024 (In Shares; %)

Shareholding	Shares	%
Major Shareholders		
Chang Wah Electromaterials Inc. (Note)	20,906,000	9.997
Qiao Mei Development Corporation	16,263,729	7.78
BaoJie Funds in custody of Standard Chartered Bank Main Branch	10,335,120	4.94
Huasheng International Investment Corp.	8,508,945	4.07
E Ink Holdings Inc.	5,936,000	2.84
Ching-Yi Chang	5,829,282	2.79
Chang Wah Technology Co., Ltd.	4,251,000	2.03
Asia Pacific Consolidated Equity Finance of Citigroup Global Markets Inc. in custody of Citibank	3,180,040	1.52
Yingruiji Funds in custody of Standard Chartered Bank Main Branch	3,000,040	1.43
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

Note: As of January 2, 2024, Chang Wah Electromaterials Inc. was no longer a major shareholder of the Company as its shareholding percentage in the Company dropped below 10%. The calculation of shareholding percentage is rounded down to three decimal places.

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

(In NT\$)

Item		Year	2022	2023	01/01/2024 to 03/26/2024 (Note 5)
Market Price per Share	Highest		48.30	51.00	49.80
	Lowest		36.90	40.55	44.80
	Average		43.75	44.89	47.18
Net Worth per Share (Note 1)	Before Distribution		37.82	38.19	-
	After Distribution		35.32	Note 6	-
Earnings per Share	Weighted Average No. of Shares (in thousands of shares)		209,120	209,120	-
	Earnings per Share		3.35	2.02	-
Dividends per Share	Cash Dividends		2.50	1.0	-
	Stock Dividends	Earnings	-	Note 6	-
		Capital Surplus	-	Note 6	-
	Accumulated Undistributed Dividend		-	-	-
Analysis on Investment Return	Price/Earnings Ratio (Note 2)		13.06	22.22	-
	Price/Dividend Ratio (Note 3)		17.50	44.89	-
	Cash Dividend Yield (Note 4)		5.71%	2.23%	-

Note 1: The numbers are based on the number of shares outstanding at the end of year and the distribution plan approved by the Board or the shareholders' meeting in the following year.

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 26, 2024, 2023 earnings distribution has yet to be resolved by the shareholders' meeting.

## (6) Dividend Policy and Its Execution Status

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

Article 28-1 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 reserves. However, this shall not apply when the accumulated legal reserve has equaled the total capital of the Company
- (d) Special 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 earnings. Regarding earnings distributed by an issuance of new shares, the proposal shall be approved by the shareholders' meeting, and for earnings distributed in the form of cash, the proposal shall be submitted to the Board of Directors' meeting for resolution.

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

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

The 2023 earnings distribution plan approved in the Board of Directors' meeting on February 20, 2024 is as follows:

- (a) Cash dividend: NT\$209,120 thousand from 2023 earnings, i.e., NT\$1 per share. The Board is authorized to set the record date after the distribution of cash dividends is approved by the Board.
- (b) Stock dividend: (Approved by the Board and pending for an approval from the shareholders' meeting)

NT\$104,560 thousand from 2023 earnings were capitalized, i.e., 50 shares for every thousand shares held. The Board 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:

(In Thousands of New Taiwan Dollars)

Item		Year	2024 (Estimated)
Paid-in Capital - Beginning			2,091,197
Dividend for the Year	Cash dividend per share (NT\$)		1.0
	Stock dividend from capitalized earnings (shares) (Note 1)		0.05
	Stock dividend from capitalized capital surplus (shares)		-
Changes in Operating Performance	Operating income		N/A (Note 2)
	Changes in operating income (year-over-year)		
	Net income		
	Changes in net income (year-over-year)		
	Earnings per share (EPS)		
	Changes in EPS (year-over-year)		
Average annual return on investment (ROI) (1/ average annual PE ratio)			

Item		Year	2024 (Estimated)
Pro forma EPS and PE Ratio	If capitalized earnings are distributed as cash dividend	Pro forma EPS	
		Pro forma average annual ROI	
	If capital surplus is not capitalized	Pro forma EPS	
		Pro forma average annual ROI	
	If cash dividends are distributed instead of capitalizing capital surplus and earnings	Pro forma EPS	
		Pro forma average annual ROI	

Note 1: Pending for an approval from the shareholders' meeting.

Note 2: According to "Guidelines for Disclosure of Financial Forecasts by Public Companies", the Company does not have to disclose its 2024 financial forecast.

(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 approved in the Board of Directors' meeting by the majority of attending directors which represents more than two-third of all directors and reported 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 2023, 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 2023. Changes in the amount after the parent company only financial statement for the year has been approved and authorized for issue by the Board would be accounted for as changes in accounting estimates and recognized in profit or loss of 2024.

C. Proposed compensation approved by the Board

With regard to compensation to employees and remuneration to Directors, the proposed 2023 earnings distribution plan approved in the Board of Directors' meeting on February 20, 2024 is as follows:

- (a) The proposed compensation to employees of NT\$41,163,482 (in cash) and remuneration to Directors of NT\$11,255,760 were approved in the Board of Directors' meeting on February 20, 2024.
- (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 (2023.05.30)	Difference	Cause of Difference
Remuneration to Directors (in Cash)	19,596,967	19,596,967	0	None
Compensation to Employees (in Cash)	71,668,142	71,668,142	0	None

(9) Buyback of Common Shares:

A. Transactions completed were as follows:

As of March 26, 2024

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

As of March 26, 2024

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	Five 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"> <li>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.</li> <li>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.</li> </ol>
Outstanding Principal	US\$70,000 thousand (As of March 26, 2024)
Redemption or Early Repayment Clause	<ol style="list-style-type: none"> <li>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.</li> <li>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”.</li> <li>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</li> </ol>

		<p>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.</p> <p>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.</p>
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	2023	January 1 to March 26, 2024
Market price (Note 1)	Highest	US\$98.13	US\$96.50
	Lowest	US\$96.25	US\$96.50
	Average	US\$97.44	US\$96.50
Conversion Price		NT\$47.61/share	
Issue Date and Conversion Price at Issuance		Issue date: November 30, 2021 Conversion price at issuance: NT\$53.50/share	
Conversion Obligation		Issuance of new shares	

3. **Preferred Shares:** None.

4. **Global Depository Shares:** None.

## 5. Employee Stock Options

- (1) Outstanding employee stock options as of the date of this annual report and the impact on shareholders' equity:

### Employee Stock Options

As of March 26, 2024

Employee Stock Options Granted	Forth Grant
Approval Date by Competent Authority and Total Units	November 30, 2022; 3,000 units
Issue Date	February 22, 2023
Number of Options Granted	3,000 units
Number of Options to be Granted	0
Percentage of Shares Exercisable to Outstanding Shares	1.43459%
Option Duration	5 years
Source of Option Shares (Note 1)	New Shares
Vesting Schedule and %	Cumulative % of Options Exercisable during the Vesting Period: 2nd Year: up to 50% 3rd Year: up to 100%
Shares Exercised	0
Value of Shares Exercised	0
Shares Unexercised	3,000 units
Exercise Price Per Share of Shares Unexercised	39.90
Percentage of Shares Unexercised to Outstanding Shares	1.43459%
Effects on Shareholders' Equity	Shares exercisable for the stock option were 3,000,000 shares and the maximum dilution ratio is about 1.43459%. The dilutive effect is minimum.

Note 1: Please indicate whether it is shares issued or new shares.

- (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:

	Job Title (Note 1)	Name	No. of Shares Exercisable (In Thousands of Shares)	No. of Shares Exercisable as a % to Total No. of Issued Shares (Note 3)	Exercised				Unexercised			
					No. of Shares (In Thousands of Shares)	Exercise price	Value of Shares Exercised (In Thousands of NT\$)	No. of Shares as a % to Total No. of Issued Shares (Note 3)	No. of Shares (In Thousands of Shares)	Exercise price	Value of Shares to be Exercised (In Thousands of NT\$)	No. of Shares as a % to Total No. of Issued Shares
Managerial Officers	Senior Assistant Vice President	Guo-Xiong Xia	890	0.43%	-	-	-	-	890	39.90	35,511	0.43%
	Assistant Vice President	Xin-Yuan Chen										
	Assistant Vice President	Kuo-Liang Chiang										
	Senior Assistant Vice President	Zhen Lin										
	Senior Assistant Vice President	Chong-Chen Liu										



	Job Title (Note 1)	Name	No. of Shares Exercisable (In Thousands of Shares)	No. of Shares Exercisable as a % to Total No. of Issued Shares (Note 3)	Exercised				Unexercised			
					No. of Shares (In Thousands of Shares)	Exercise price	Value of Shares Exercised (In Thousands of NT\$)	No. of Shares as a % to Total No. of Issued Shares (Note 3)	No. of Shares (In Thousands of Shares)	Exercise price	Value of Shares to be Exercised (In Thousands of NT\$)	No. of Shares as a % to Total No. of Issued Shares
	Assistant Vice President	Jen-Kai, Huang										
	Assistant Vice President	Chi-Yuan Pan										
	Assistant Vice President	Yu-Han Huang										
	Assistant Vice President	I-An Chen										
	Senior Assistant Vice President	Bing-Xun Zhang										
	Assistant Vice President	Yu-Meng Hsu										
Employees (Note 2)	Employee	Yuan-Fu, Lin	780	0.37%	-	-	-	-	780	39.90	31,122	0.37%
	Employee	Kai-Ping, Wang										
	Employee	Ching-Hung, Huang										
	Employee	Yu-Chih, Kao										
	Employee	Yuan-Ching, Shih										
	Employee	Liang-Chun, Weng										
	Employee	Ling-Chun, Liu										
	Employee	Che-Jen, Chang										
	Employee	Huan-Yu, Hsu										
	Employee	Hsiu-Ming, Chang										
	Employee	Pei-Chen, Chen										

Note 1: Including managers and employees (those who have resigned or passed away shall be specified). The names and job titles shall be disclosed by individuals. However, the number of options granted and subscribed may be disclosed in aggregate.

Note 2: Top 10 employees receiving the employee stock options refer to employees other than the managers.

Note 3: Number of issued shares refer to the number of shares indicated in the amendment registration with the Ministry of Economic Affairs.

**6. Employee Restricted Stock: None.**

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

**8. Execution of Funding Plans**

- (1) Plan details of previous issuance or private placement of securities not yet completed or completed in the past three years with benefits yet to be shown as of the quarter preceding the date of this annual report: None.
- (2) Implementation status of previous issuance or private placement of securities not yet completed or plans completed in the past three years with benefits yet to be shown as of the quarter preceding the date of this annual report: None.

## 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	2022		2023	
	Net Revenue	Percentage (%)	Net Revenue	Percentage (%)
Electronic Materials	8,237,598	94.45	7,524,355	92.32
Others	484,277	5.55	626,164	7.68
Total	8,721,875	100.00	8,150,519	100.00

##### C. Major Products/Services

The Company mainly engages in the researching, developing, manufacturing and selling of Flexible Copper Clad Laminate (FCCL), Cover-layer (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-government-academia and peer collaborations and integration of resources in order to develop the following products:

###### (a) Flexible Printed Circuit (FPC) Materials:

The development of our electronic materials focuses on the following three aspects:

- (i) High-frequency and high-speed materials: in response to the demand for high-speed transmission with 5G and above, the antennas and data transmission cables of portable devices shall use materials featuring high-frequency and high-speed in order for users to enjoy the full benefits of high-speed internet and achieve the goal of artificial intelligence of things. Furthermore, with the recent rapid growth of AI servers around the world, the significant increase in

computing power including data transmission will benefit the demand for high-frequency and high-speed materials.

Regarding the demand for different frequency, the Company develops a variety of Low Dk and Low Df materials. Our products include modified polyimide (MPI)-based and liquid crystal polymer (LCP)-based materials as well as fluoro-based FCC materials for high-frequency applications.

- (ii) Materials featuring high dimensional stability and anti-migration: 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 increases the demand for materials with high dimensional stability. Adding in the demand for ultra-fine circuits, materials shall feature anti-migration on top of high dimensional stability to avoid signal interference or short circuit. Therefore, we also develop such products to satisfy the market demand.
- (iii) Materials for fast-charging applications: with advancing functions and performance, 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 and thick insulation layer 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. We have rolled out a series of thick copper and thick insulation layer materials to meet customer demand and continue to enhance product functions to satisfy this growing trend.

(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 FCCCL is expected to keep on increasing. We have invested resources on products which satisfy requirements from the automotive market, i.e., high weather resistance, flame retardance and safety, as well as materials with high breakdown voltage, 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 pursuit of high-value applications. As for the emerging display technology - Mini-LED and Micro-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 coatings primarily 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 films for advanced packaging process. By utilizing our coating technology accumulated over the years, we make temporary adhesive coatings into adhesive films to accelerate the production efficiency of customers.

## (2) Industry Overview

### A. Industry Status and Development

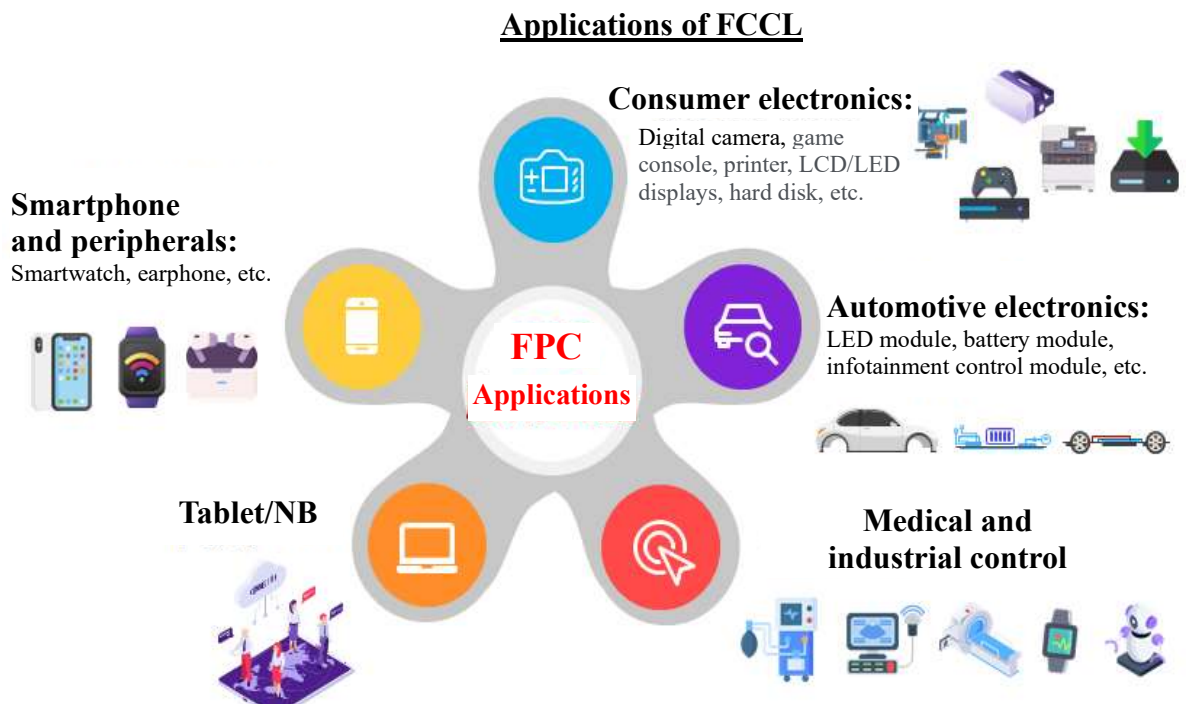
#### (a) FPC industry

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 adhesive 3L-FCCL and adhesiveness 2L-FCCL. The latter has become the mainstream due to demands for thinner and lighter mobile devices.

On the application side, 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. Currently, smartphones, tablet PCs, notebooks and wearable devices are the main end-use products of FPCs. In terms of components, FPCs are mostly used in the connection of antenna, battery, camera, display, button, slot and charging port to the motherboards. With the unchanging trend of electronic devices evolving towards being thin and lightweight, FPC is further advanced from its pure connection function to be an extension of the PCB design with its advantages of being lighter, thinner and more flexible than rigid PCBs, opening to a wider range of applications.

All in all, the enhancing functionality of handheld devices will prompt versatile designs for FPC components and consequently the growing demand for FPC raw materials.



In general, the booming development in notebooks led to the first wave of growth in FPC while portable devices such as smartphones, tablet PCs and wearable devices prompted the second wave of growth. The third wave is now expected to be driven by advanced materials including high-frequency and high-speed materials from new energy vehicles and AI-related demand.

FPC is a highly concentrated industry. The main producers are located in Japan, Taiwan and Korea, and the top 10 producers contribute to more than 70% of the global output. Even though China manufacturers are still in the catch-up phase, with support from their enormous domestic demand and localized supply chain policy, their potential shall not be underestimated. Also, global geopolitical disputes urge international customers to call for resilient supply chain. A large number of FPC manufacturers have shifted to Southeast Asia and India. Mainland China and Southeast Asia will therefore become the main FPC production bases in the future.

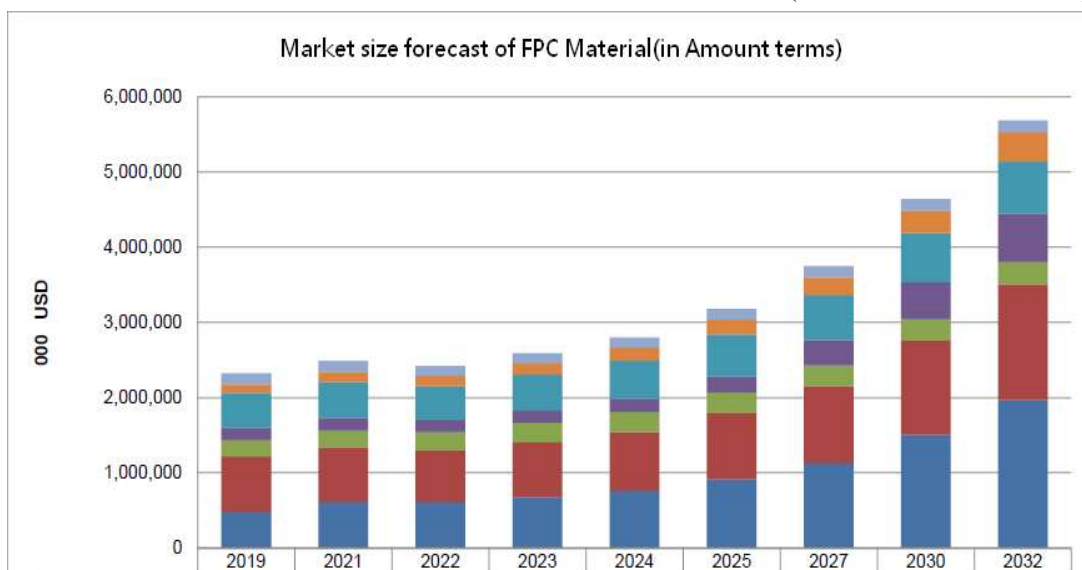
Since the explosive growth of mobile devices in 2010 triggered an enormous increase in FPC production, penetration of smartphones and tablets PCs continued to climb and contributed significantly to the overall growth of FPC industry. However, as smartphones and tablets already have high market penetration rates, it is unlikely that the shipment of these two products will significantly boost the FPC industry. The future growth momentum of FPC will rely heavily on 5G, new energy vehicles and AI-related applications to drive the growth of high-end materials and boost the economic value-added of the FPC industry.

Covid-19 exerted 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. However, in the post-pandemic era, we saw central banks worldwide tightened the monetary policy due to high inflationary pressure in 2023. The high interest rate environment affected people's consumption willingness, resulting in sluggish demand in the end market. As a result, the entire supply chain was affected by inventory adjustments, leading to a decrease in the annual shipment of smartphones. Statistics released by IDC showed an annual decrease of 3.2% in the 2023 smartphone shipment.

Although the momentum of smartphone shipment is less than satisfactory under the shadow of inventory adjustments in 2023, IDC predicts a recovery in 2024 as inventory level had improved in the second half of 2023. The shipment is expected to increase by 3.8% in 2024 while the proportion of 5G smartphone sales climbs steadily from 61% in 2023 to 83% in 2027. 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 under 5G. At the same time, companies are looking forward to the business opportunities of high-value materials brought on by mobile phone replacement demand in the future.

## Market Size Forecast of FPC Materials

(In thousands of US dollars)



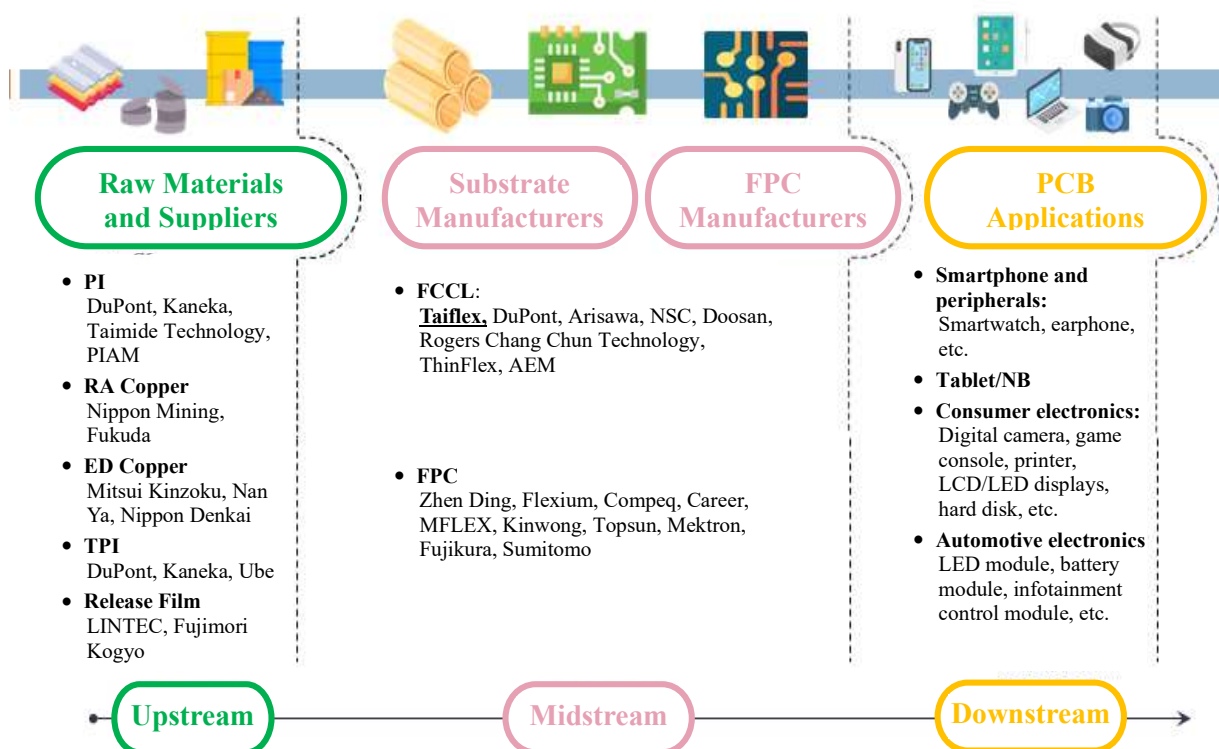
Source: JMS (2023)

### 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, DuPont, Rogers Chang Chun Technology, NSC, Doosan, Nexflex and Arisawa. Downstream suppliers are FPC producers, including Mektron, Zhen Ding, Flexium, Career, Compeq, and MFlex.

### Supply Chain of FPC industry



### 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 increasing 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 switches to halogen-free materials, which initiates material evolution in the CCL industry. At present, large smartphone manufacturers gradually shift to eco-friendly substrates, and eco-friendly materials will become basic product requirements due to rising environmental awareness and regulatory requirements.

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. Consequently, 2L-FCCL-related materials and technology will be the research focus.

Material development will center around features of high frequency and high speed in response to various applications, e.g., 5G, new energy vehicles and AI servers. Based on choices made by major material companies and brands, the use of MPI, LCP and fluorine in FCCL becomes the mainstream, attracting active participations from companies worldwide.

In the past, numerous system integrators have shifted their production lines to China, which brings FPC companies over as the latter want to stay close to their customers. As a result, China PCB industry has achieved tremendous growth over the past 30 years and become the most dominating production base in the world. Even though the China-US trade war and Covid-19 pandemic push 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, large companies' strategies continue to evolve around China with global diversification being a supplement. To meet customer demands and upon evaluating the overall global strategies, we have established comprehensive production lines and well-structured distribution channels in China to satisfy local demand.

As for the rising global geopolitical risks and the demand for resilient supply chain from international customers, the PCB industry as a whole has expanded its investments in the Southeast Asia. In response to this industry trend, we have established a new production base in Thailand to strengthen our global reach.

Overall, Taiflex is in the leading position regarding capacity, scale, customer portfolio and market share, and remains highly competitive in the FPC industry.

### D. Product Competition

FPC industry:

The global supply of FCCL is dominated by Japan, Taiwan and Korea. The main competitors include Nippon Steel and Arisawa in Japan, Doosan in Korea, plus AEM in 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. The arrival of high-speed data transmission era has brought companies to be proactively involved in the development of relevant high-frequency and high-speed materials as well as market penetration, which have been the focus of competition in recent years.

### (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 (Cover-layer) and copper clad laminate (Flexible Copper Clad Laminate (FCCL)). 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 cover-layer process inspection technology to the Company. Those technologies are the foundation of Taiflex's development.

In addition to the existing FPC materials, the Company actively researches and develops new products of semiconductor and display applications 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 people)

Education \ Year	2021	2022	2023
Ph.D. and Master's Degree	62	68	65
Bachelor's Degree/College	59	58	51
Senior High School	7	8	5
Total	128	134	124

#### C. Research and Development Expenses from 2019 to 2023

(In Thousands of New Taiwan Dollars)

Year	2019	2020	2021	2022	2023
R&D Expenses	284,486	281,360	323,220	400,591	366,518
Net Revenue	7,583,654	8,766,318	9,405,002	8,721,875	8,150,519
Percentage of Revenue (%)	3.75	3.21	3.44	4.59	4.50

Source: Audited financial statements from 2019 to 2023



D. Technology or Product Developed from 2019 to 2023

Year	Item	Result
2019	Application of 5G materials to Sub-6 frequency	Developed single/double-sided FPC 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
2022	Development of sub 6GHz high-frequency and high-speed transmission materials	Development of MPI FCCL materials with a better insertion loss to be applied in higher-end products
	Development of laminate materials for high power battery of smart electric vehicle	Development of FCCL with high CTI ( $\leq 2$ ) and sound reliability as well as electrical properties to be used by FPC manufacturers in automotive products
	Advanced composite flexible electronic materials	Development of rigid-flex board with thickness uniformity of 0.25 $\mu\text{m}$ and dimensional stability $\leq 0.03\%$ for L/S < 35 $\mu\text{m}$
	Development of millimeter wave materials for automotive 77GHz radar	High-frequency, fluoro-based products with stable DK and DF under variable frequency and temperature. The product can be used in national defense, communications, automotive, radar and satellite industries.
2023	In-house development of ultra-thin, anti-migration cover-layer for periscope lenses in camera module	Mass production and transfer of in-house ultra-thin cover-layer with high reliability, PI thickness of 5 $\mu\text{m}$ and l/s 20/20; and its application in high-end U.S. mobile phones
	Completed the development of low-loss bonding sheet	Mass production and transfer of new bonding sheet to be applied in high-frequency multi-layer PCBs and rigid-flex boards with glue overflow improved during multiple lamination cycles;

Year	Item	Result
		passed the UL 94 test with VTM-0 rating plus improved processing operability at customer end and a shelf life of 10 months
	Production of 3-layer FCCL at Rudong factory	Mass production and transfer of 3-layer FCCL for automotive applications to Rudong factory to realize China-for-China
	Completed the development of anti-migration bonding sheet	Mass production and transfer of bonding sheet for fine-pitch applications where baking is not needed, which improves process efficiency and cost performance ratio; passed the UL 94 test with VTM-0 rating
	Development of 2-layer FCCL for foldable phone	Mass production of FCCL for single-layer stack-ups with air-gap featuring anti-adhesiveness; to be applied in foldable phones including flip phones or smartphones that fold in or out vertically
	Development of 2 <sup>nd</sup> -generation in-house white cover-layer with high reflectivity	PFAS-free white cover-layer to be applied in LED light-bar and automotive lighting

#### (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 market share in the Greater China Region and Southeast Asia, support 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 as well as 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	2022		2023	
	Amount	Ratio (%)	Amount	Ratio (%)
Taiwan	2,901,704	33.27	2,609,349	32.02
China	5,681,027	65.14	5,363,242	65.80
Others	139,144	1.59	177,928	2.18
Total	8,721,875	100.00	8,150,519	100.00

#### B. Market Share

- (a) FCCL and CL: Based on JMS market survey, the market share of Taiflex was estimated to be around 15% to 20% in 2023.

#### 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 smartphones, tablet PCs, notebooks and wearable devices. The subsequent e-automotive component trend driven by new energy vehicles and the high-speed transmission demand brought about by AI servers are expected to become the next growth momentum. However, smartphones and tablets remain the key applications of FPCs at present.

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 has shifted to focus on replacement demand. Except for special models such as foldable phones and smartphones with AI edge computing, the market is expected to stay about flat.

IDC, an international market research company, reports global smartphone shipment of 1.17 billion units in 2023, a decrease of 3.2% year-over-year. As inflationary pressure continued to overshadow the environment and central banks around the world adopted tight monetary policy, there was a decline in consumers' willingness to switch to new models, and consequently, the overall shipment dropped. Smartphone manufacturers now strive to launch 5G phones with novel features including being foldable or with AI functions, aiming to entice consumers into replacing their phones.

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 growth rate above market average 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 major brands' supply chain. As major mobile phone brands have strict requirements on supplier qualifications, the entire supply chain is showing signs of contraction where only large international corporations are selected.

#### Shipment and Market Share Ranking of Top 5 Smartphone Brands in the Recent Two Years

<b>Top 5 Companies, Worldwide Smartphone Shipments, Market Share, and Year-Over-Year Growth, Calendar Year 2023 (Preliminary results, shipments in millions of units)</b>					
<b>Company</b>	<b>2023 Shipments</b>	<b>2023 Market Share</b>	<b>2022 Shipments</b>	<b>2022 Market Share</b>	<b>Year-Over-Year Change</b>
1. Apple	234.6	20.1%	226.3	18.8%	3.7%
2. Samsung	226.6	19.4%	262.2	21.7%	-13.6%
3. Xiaomi	145.9	12.5%	153.2	12.7%	-4.7%
4. OPPO	103.1	8.8%	114.4	9.5%	-9.9%
5. Transsion	94.9	8.1%	72.6	6.0%	30.8%
Others	361.8	31.0%	377.2	31.3%	-4.1%
<b>Total</b>	<b>1,166.9</b>	<b>100.0%</b>	<b>1,205.9</b>	<b>100.0%</b>	<b>-3.2%</b>

**Source: IDC Worldwide Quarterly Mobile Phone Tracker, January 15, 2024**

#### (ii) Tablets

For consumer electronics as a whole, smartphone ranks first in terms of FPCs consumption followed by tablets. IDC statistics show global tablet shipments of 129 million sets in 2023, representing a drop of 20.5% compared to 2022 and the lowest annual shipment since 2011. Demand was challenged by a slowdown in consumer spending, mainly due to suppressed demand for consumer electronics in a high interest rate environment. Moreover, the fact that the leading brand Apple did not update its tablet products in 2023 also had certain impact on the replacement demand in the tablet segment.

However, as market inventory returns to a healthy state, the inflationary pressure is expected to stabilize, plus the fact that Apple is scheduled to roll out new tablet models in 2024, shipment is expected to rebound in 2024. Nevertheless, the tablet market is highly concentrated where the two leading brands enjoy very high market shares. Thus, 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 the Recent Two Years

<b>Top Five Tablet Companies, Worldwide Shipments, Market Share, and Growth, Calendar Year 2023 (Preliminary results, combined company view for the current quarter only, shipments in millions)</b>					
<b>Company</b>	<b>2023 Shipments</b>	<b>2023 Market Share</b>	<b>2022 Shipments</b>	<b>2022 Market Share</b>	<b>Year-Over-Year Growth</b>
1. Apple	48.5	37.8%	60.5	37.4%	-19.8%
2. Samsung	26.2	20.4%	30.4	18.8%	-13.9%
3. Lenovo	9.3	7.2%	11.6	7.1%	-19.7%
4. Huawei	8.7	6.8%	9.1	5.6%	-4.0%
5. Amazon.com	5.5	4.2%	16.0	9.9%	-65.9%
Others	30.3	23.6%	34.1	21.1%	-11.1%
<b>Total</b>	<b>128.5</b>	<b>100.0%</b>	<b>161.6</b>	<b>100.0%</b>	<b>-20.5%</b>

**Source: IDC Worldwide Quarterly Personal Computing Device Tracker, February 5, 2024**

#### 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 the overall costs which in turn facilitates our long-term strategic cooperation with major customers.

Besides setting up production bases in both China and Taiwan, the Company chooses Thailand to build its third production base in response to rising concerns over geoeconomic risks from customers around the world. We strengthen our global presence to meet customer demand and enhance supply resilience.

##### (b) Good relationships with upstream raw material suppliers

Some of the key components for FCCL are highly oligopolized; therefore, supply chain management and stable supply of raw materials are vital in industry competition. As one of the industry leaders, Taiflex has 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 and better ability in meeting customers' real-time demand than our competitors.

##### (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 process technology

In addition to chemical synthesis technology, Taiflex possesses high-precision coating and pressing technologies as well as complete sets of related facilities to manufacture a wide range of products for the FPC, semiconductor and optical industries, thereby diversifying risks and significantly improving customer satisfaction.

##### (e) Bright future for the industry

With the arrival of 5G era and the emerge of AI-related applications, the demand for high-frequency and high-speed transmission will bring new growth momentum. Being a long-term partner in the main supply chain, Taiflex is well aware of the new products demand and will be able to grow with our customers. Furthermore, the increasing use of FPC due to booming developments of automotive electronics driven by alternative fuel vehicles is also a significant growth driver in the future.

#### E. Favorable and unfavorable factors for long-term development

##### (a) Favorable factors:

- (i) With new applications emerge, the future growth momentum of FPC is promising

Being thin and lightweight, FPCs are used in portable devices such as smartphones and tablets. 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. Also, the future growth of 5G, AI and foldable phones will trigger new materials demand. Therefore, long-term observation shows that the continuous introduction of new features for end devices will bring ongoing demand for material revolutions, keeping the industry on a healthy growth path.

(ii) A sound integration 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, Taimide Technology and PIAM; rolled annealed Copper foil (RA Copper) from Nikko Metals Taiwan; and electrodeposited copper foil (ED copper) from Mitsui Kinzoku. The aforementioned purchase policy considers the fact that the supply of key raw materials is concentrated on a few international corporations due to product quality stability and customer requests.

Countermeasures:

- i) Maintain good relationships with other vendors as a secondary source of supply to ensure competitive prices and sufficient supply.
- ii) Build a sound feedback mechanism with suppliers. In addition to frequent exchange of information between production and sales to monitor industry information, which facilitates production capacity planning at both ends, we summarize and provide customer feedback to suppliers and actively assist with relevant testings conducted by suppliers in order to 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:

- i) 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.
- ii) Improve bargaining power with large volume purchases to lower material costs.
- iii) 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 Cover-layer and FCCL. Their main applications are as follows:

- Cover-layer: Protect FPC circuits against oxidation
- FCCL: FPC customers can create circuit patterns on FCCL to connect external components to the mainboard and extend circuit wirings

B. Manufacturing process

Product			
Process Flow	Cover-layer	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 relationships 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 the recent two years:

A. Key suppliers in the recent two years

(In Thousands of New Taiwan Dollars)

Item	2022				2023			
	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	1,937,878	38.30	None	Supplier A	1,623,492	36.94	None
2	Supplier B	561,151	11.09	None	Supplier B	421,677	9.59	None
3	Supplier C	415,699	8.22	None	Supplier C	349,586	7.95	None
4	Others	2,144,579	42.39	None	Others	2,000,743	45.52	None
	Net Purchase	5,059,307	100.00		Net Purchase	4,395,498	100.00	

Note: 1. Net purchase includes processing fee.

2. As of the date of this annual report, 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 was no significant change in supplier ranking. Total purchases decreased by a larger degree in 2023 due to sluggish end demand as the entire supply chain faced the issue of high inventory level. To mitigate the risk of obsolete inventory, our short-term inventory policy is adjusted to inventory digestion. Thus, the purchase volume of raw materials declined compare to 2022. We will adjust our inventory level dynamically depending on the demand and supply of the supply chain as a whole for our overall inventory to stay at a healthy level.

B. Key customers in the recent two years

(In Thousands of New Taiwan Dollars)

Item	2022				2023			
	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	1,188,642	13.63	None	Company A	1,150,996	14.12	None
2	Company B	916,436	10.51	None	Company C	901,758	11.06	None
3	Others	6,616,797	75.86	None	Company D	817,520	10.03	None
4					Others	5,280,245	64.79	None
	Net Revenue	8,721,875	100.00		Net Revenue	8,150,519	100.00	

Note: As of the date of this annual report, CPA-audited or reviewed financial statements of the latest period is not available.

### Variance Analysis:

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

#### (5) Production in the recent two years

(In Thousands of New Taiwan Dollars; Thousands of M<sup>2</sup>)

Year	2022			2023		
Production Product	Capacity (Note 1)	Output	Amount	Capacity (Note 1)	Output	Amount
Electronic Materials		38,470	6,182,516		34,092	5,828,591
Others		5,464	312,779		3,158	254,578
Total	77,400	43,934	6,495,295	74,160	37,250	6,083,169

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, as different products have different production efficiency, 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 the recent two years

(In Thousands of New Taiwan Dollars; Thousands of M<sup>2</sup>)

Year	2022				2023			
Shipment/ Sales Product	Domestic		Overseas		Domestic		Overseas	
	Shipment	Sales	Shipment	Sales	Shipment	Sales	Shipment	Sales
Electronic Materials	19,830	2,555,755	18,817	5,681,844	17,065	2,230,699	16,932	5,293,655
Others	6,130	345,949	14	138,328	4,127	376,260	22	249,905
Total	25,960	2,901,704	18,831	5,820,171	21,192	2,606,959	16,954	5,543,560

### 3. Human Resources in the Recent Two 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	2022	2023	January 1 to February 29, 2024
	No. of Employees		1,239	1,195
Average Age		39.57	45.86	46.04
Average Year of Service		5.31	6.07	6.19
Education	Ph.D.	0.65	0.67	0.59
	Master's Degree	14.45	15.82	15.51
	Bachelor's Degree	57.87	54.39	54.66
	Senior High School	24.13	25.19	25.26
	Below Senior High School	2.90	3.93	3.98

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 the most recent year and as of the date of this annual report: None.
- (2) Estimated amount at present or in the future and action plans:

In line with the medium and long-term GHG reduction targets of Taiwan, international trend of carbon neutrality and requests from brand customers, the Company has set carbon neutrality targets in order to fulfill its social responsibility and achieve sustainable development. We employ ISO14001 Environmental Management Systems: Plan → Do → Check → Action for continuing improvements. Furthermore, we consider the life cycles of raw materials at different stages, such as extraction, manufacturing, distribution and waste, in the discussion of internal and external issues; and uphold our ESH policies (regulatory compliance, green innovations, waste reduction & recycling, full participation, workplace safety, risk control, energy conservation & carbon reduction, and continuing improvements). We invest in various environmental improvement programs to reduce operational risk and environmental impact. 2023 expenditure related to environmental protection are listed in the table below.

##### Summary of Expenditure Related to Environmental Protection

Item	Details				Total
1. Environmental protection expenditure	(1) Pollution control (regulatory fees and charges: e.g., air pollution emission fee, etc.)				NT\$29,482 thousand
	(2) Environmental projects to improve and reduce environmental burdens (e.g., improvements on the waste gas treatment system)				
	(3) Industrial waste disposal charge				
	(4) Expenditure for measures improving wastewater treatment efficiency				
	(5) Environmental management fee (maintenance and certification of ISO14001 and 14064-1 management systems)				
2. Environmental benefits	(1) Savings on pollution control and reduction measures				NT\$63,312 thousand
	(2) Savings on reduction, recycling and reuse of industrial waste				
	(3) Savings on resource recycling (resource recycling + copper + solvent)				
3. Expected improvements	(1) Reduce air pollution (NO <sub>x</sub> , TSP, CO <sub>2</sub> )				
	Year	Reduction in Natural Gas (km <sup>3</sup> )	Reduction in NO <sub>x</sub> (kg)	Reduction in TSP (kg)	Reduction in CO <sub>2</sub> (kg)
	2023	238	381	11	492,320
	(2) Cut down resource consumption (e.g., recycling and reuse of organic solvent waste)				
	Year	Waste adhesive (kg)		Solvent recycling and reuse (kg)	
	2023	91,100		91,100	
	(3) Improve the efficiency of control facilities (waste gas condensation)				
(4) Reuse waste					
Year		Recycling and reuse (kg)			
2023		760,200			

Item	Details	Total
4. Impact upon Improvement	(1) Reduce environmental impact by reducing energy consumption and improving equipment efficiency.	
	(2) Reduce air pollutant emissions to reduce the impact on the environment	
	(3) Continuous improvement to enhance competitiveness and meet the sustainable development targets.	

Future 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 improve our zeolite rotor concentrators, waste gas NMP condensation system, wastewater cleaning facilities and RRTOs; improve the processing efficiency and solvent recovery rate and drive the equipment to operate at a stable or optimal condition, thereby reducing VOCs emission and secondary pollutants and cutting down natural gas and raw materials consumption to achieve circular economy, energy conservation and cost reduction.

B. Industrial wastes:

The Company engages 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 environmental impacts of waste. We team up the Industrial Technology Research Institute (ITRI) in 2024 to seek the best recycling solutions for meeting the overall recycling targets in 2025, 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. Distillation in a vacuum state prevents waste gas emission, and the waste gas is collected via enclosed, negative-pressure operation to be processed in air pollution control facilities, thereby reducing environmental burden.

C. Future improvement schemes are as follows:

We plan to adopt the smart platform for environmental protection in the near future. The systematic intelligent platform incorporates environmental regulatory requirements and key control points of the environmental protection equipment and facilities, and manages data generated under different scenario through data centralization and traceability to eliminate secondary processing. We can carry out big data analysis and management, and keep track of real-time environmental monitoring data through mobile carriers (tablets/mobile phones/barcodes) at any time and any place for immediate responses, thereby complying with environmental laws and regulations, reducing the risk of environmental pollution, and fulfilling our commitments to customers.

## 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:
  - i) New employee: Pre-employment physical examination
  - ii) Employees: Annual health check-ups for all employees and specific ones for personnel engaging in special operations

(b) Profit sharing:

In addition to employee compensation stipulated in the Articles of Incorporation and relevant laws and regulations, the Company has set up employee stock ownership trust where subsidies are provided for purchasing the Company's shares as a way of profit-sharing.

(c) Cash gifts:

In addition to cash gifts for Mid-Autumn Festival/Dragon Boat Festival/Chinese New Year, wedding and new babies, and subsidies for hospitalization and funeral from the Company, there are cash gifts for birthdays, education allowance of employees' children, travel fund, etc. from the Employee Welfare Committee.

(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:

Youth Care Association, softball, basketball, jogging, shrimp fishing, yoga, etc.

(g) Employee of the year:

Travel allowance and 3-day official leaves, exclusive business card and parking space.

B. Employee education and training

(a) Training sessions:

- (i) For long-term development of the Company and enhancement of employees' core competencies, 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:
  - i) Internal training: engage qualified consulting firms or professional lecturers as well as internal lecturers to hold various courses
  - ii) External training: employees would attend sessions held at training institutions based on specific job requirement.
  - iii) License: hours of training on professional qualification requested by

competent authorities

- iv) Language: subsidies for internal or external language courses due to personal interest or job requirement
- (ii) Work environment and safety training for employees:
  - i) 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
  - ii) Employees: Based on actual job requirements, the Company provides trainings on safety and health and certification to enhance employees' knowledge in handling emergency situations.
  - iii) 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 as well as the talent development blueprint, aiming to enhance employees' knowledge and quality in order to improve operational performance.

Employee education and training expenses amounted to NT\$1,290 thousand in 2023. Classes are summarized as follows:

Category	Duration
New employee orientation	677
Core competency	4,326
Professional competency	12,017
Management competency	455
Self-development	1,051
Total	18,526

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

### C. Retirement system:

The employee retirement system is established in accordance with the Labor Standards Act and the Labor Pension Act. All regular employees are covered by the system which protects employees' right to pensions in the future.

Contributions made pursuant to the Labor Standards Act are managed by the Labor Pension Fund Supervisory Committee, which would deposit the money in the Committee's name into designated pension accounts. Expenses under the defined benefit plan were NT\$8,186 thousand and NT\$8,756 thousand for the years ended December 31, 2023 and 2022, respectively.

As for the defined contribution plan under the Labor Pension Act, the Company makes a contribution equals to 6% of employees' salaries to the employees' individual pension accounts at the Bureau of Labor Insurance to fully protect the rights of employees. Expenses under the defined contribution plan were NT\$34,232 thousand and NT\$35,327 thousand for the years ended December 31, 2023 and 2022, 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 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 the most recent year and as of the date of this annual report:

There has been no major industrial dispute in the history of Taiflex. The Company strives to implement various employees' welfare measures to avoid losses from disputes. However, follows the labor inspection, the Company was fined for a violation of labor regulations. Details are as follows:

Per Jing-Jia-Gao-IV-Zi No. 1120101650 issued on September 18, 2023, the Company was subject to a fine of NT\$50,000 for violating Paragraph 2, Article 32 of the Labor Standards Act by extending the working hours in excess of the regulatory limit.

We promoted relevant regulations and management practices to strengthen controls on overtimes in subsequent senior management meetings, and activated the mechanism of setting the overtime threshold at 138 hours for any three-month period. The risk alert mechanism within our human resources management system remains in operation.

- (3) Code of Conduct or Ethics:

The Company has established Code of Conduct, Principles of Business Ethics and Code of

Ethical Conduct for all 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.

Extracts from the Principles of Business Ethics are as follows:

- Article 10: Prohibition against offering and acceptance of bribes  
During the course of business, the Company and its directors, managers, employees, mandataries and persons having substantial control shall not, directly or indirectly, provide, promise, request or accept any forms of improper benefits, including rebate, commission and facilitating payment. Neither shall they, through other means, provide or accept any improper benefits to or from customers, agents, contractors, suppliers, public officials, or other stakeholders.
- Article 13: Prohibition against unreasonable gifts, hospitality or other improper benefits  
The Company and its directors, managers, employees, mandataries and persons having substantial control shall not, directly or indirectly, provide or accept any unreasonable gifts, hospitality or other improper benefits in order to establish business relationships or influence business dealings.
- Article 14: Prohibition against infringement of intellectual property rights  
The Company and its directors, managers, employees, mandataries and persons having substantial control shall observe applicable laws and regulations, the Company's internal operational procedures, and contractual provisions concerning intellectual property. They may not use, disclose, dispose, destroy or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.
- Article 24: Disclosure of information  
The Company is advised to collect quantitative data about the promotion of ethical management and continuously analyze and assess the effectiveness of the promotion of ethical management policy. It shall disclose the measures taken, implementation status, the said quantitative data and the effectiveness of promotion regarding ethical management in the corporate website, annual report and prospectuses. It shall also disclose its Principles of Business Ethics at the Market Observation Post System.

Extracts from the Code of Ethical Conduct are as follows:

Personnel of the Company shall comply with laws and the Code when performing their duties. We shall uphold our corporate culture of willing to help colleagues, being friendly to them, discipline, integrity and diligence and maintain a commitment to the Code, which contains the following eight principles:

1. Avoid conflicts of interest
2. Avoid opportunities to pursue personal benefit
3. Confidentiality



4. Fair dealing
5. Protection and proper use of company assets
6. Compliance with laws and regulations
7. Encourage the reporting of illegal or unethical behavior
8. Disciplinary measures

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

Category	Details
Access Security	<ol style="list-style-type: none"> <li>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.</li> <li>2 Stringent surveillance on all exterior and major interior entrances and exits using security camera or access security system 24 hours a day.</li> <li>3 Security guards are situated in factories to assist with securing the premises.</li> <li>4 Quarterly inspection and maintenance on security camera and access security systems.</li> <li>5 Security systems with on-line connection to the security firm.</li> <li>6 Monthly education and training sessions for security guards, simulating all possible scenarios and carrying out security drills.</li> </ol>
Factory and Equipment Safety & Maintenance	<ol style="list-style-type: none"> <li>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.</li> <li>2 Annual public safety inspection by specialized company in accordance with the Regulations for Inspecting and Reporting Buildings Public Security.</li> <li>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.</li> <li>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.</li> </ol>
Disaster Prevention and Response	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>3 The Company establishes dedicated safety and health unit, to promote safety, health and disaster prevention management.</li> </ol>
Physical and Mental Health Management and Promotion	<ol style="list-style-type: none"> <li>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.</li> <li>2 Healthy environment: Periodic disinfection, inspections on drinking water and operating environment, and cleaning of the premises by specialized personnel.</li> <li>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</li> </ol>

Category	Details
	<p>employees to express their opinions and thoughts, and rules in place to assist employees with prevention and handling of physical and metal 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) Risk management structure

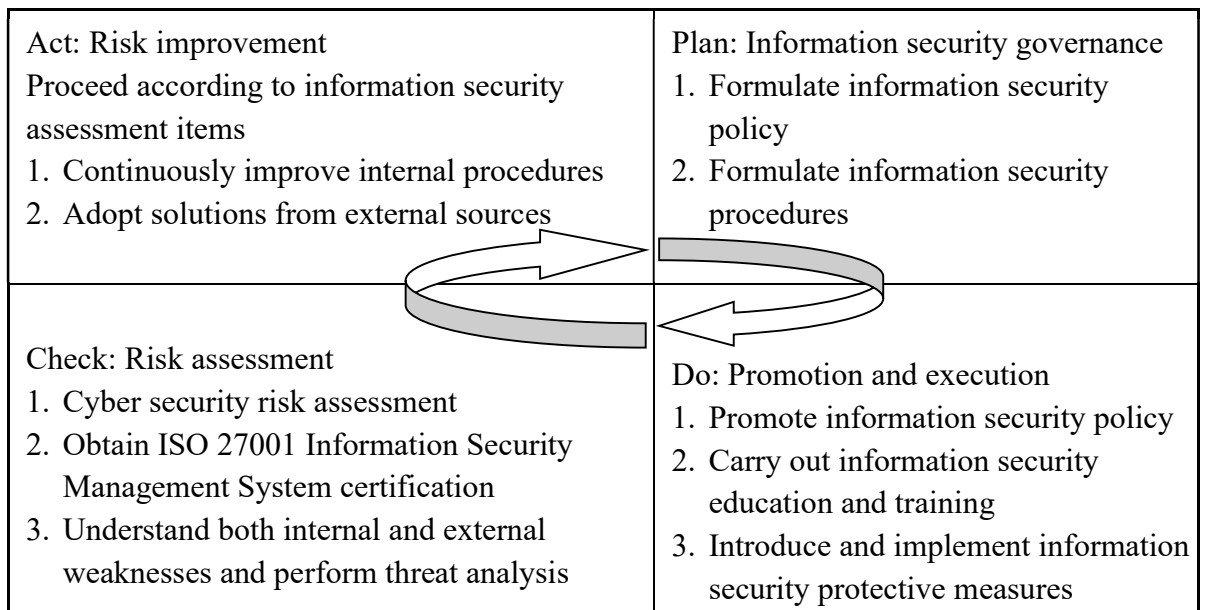
A. Pursuant to the cyber security management structure established by the Intangible Asset Security Committee founded in 2015, the Company created the "Information Security and Knowledge Management Division" in 2022 to coordinate, formulate and execute governance matters associated with information security and protection policy. The division also implements risk management system and carries out compliance audits. It is in charge of protecting the trade secrets of the Company and ensuring the availability, integrity and confidentiality of relevant information assets. Through preserving the intellectual property and crucial know-how, it secures the Company's competitive advantages. The division head would report to the Board on the effectiveness of information security governance, cyber security issues and risk control approaches at least once every year.

### B. Cyber security policy

The Company complies with the management system under the international information security structure - ISO27001 in carrying out circular reviews, inspections and tracking periodically, and implements relevant risk management measures and information security governance in conformity to corporate policies. At the same time, it establishes standard operating procedures containing five aspects: identify, protect, detect, respond

and recover. Employees can implement relevant regulations and follow the information operating procedures to ensure their appropriateness and effectiveness.

C. Risk management and continuous improvement structure of corporate information security



D. Management plans

Topic	Item	Management Plan
Information security protection	1. Trade secret management	<ul style="list-style-type: none"> <li>● Establish a document management platform (DMP) and adopt file classification management</li> <li>● Establish procedures for the retrieval and destruction of confidential documents and implement tracking and management measures</li> </ul>
	2. Risk management	<ul style="list-style-type: none"> <li>● Risk assessments and regular vulnerability scanning on computer facilities</li> <li>● Regular disaster exercises and drills concerning cyber security</li> </ul>
	3. Information operation security	<ul style="list-style-type: none"> <li>● Enforce password rules and establish endpoint detection and response (EDR) software</li> <li>● Set up remote and local back/recovery services</li> </ul>
	4. Device security	<ul style="list-style-type: none"> <li>● Set up device security protection mechanisms (e.g., encryption)</li> <li>● Monitor network and information access security</li> </ul>
	5. Supply chain security	<ul style="list-style-type: none"> <li>● Sign non-disclosure agreements (NDA) with suppliers</li> </ul>
	6. Premises security	<ul style="list-style-type: none"> <li>● Implement controls over computers of guests/guests</li> <li>● Implement controls over electronic devices, personal mobile phones and USB flash drives at production lines and laboratories</li> <li>● Establish access control at office areas and computer room as well as monitor abnormal events</li> </ul>

Topic	Item	Management Plan
Reviews and continuous improvement	Human resource security	<ul style="list-style-type: none"> <li>Carry out cyber security education and training and promote information security instructions company-wide</li> <li>Promote “Confidential Information Protection Policy” on the first day of each month to increase employees’ awareness on information security</li> </ul>
Monitoring of information security effectiveness	Information security assessment	<ul style="list-style-type: none"> <li>The Company has obtained ISO27001 Information Security Management System certification for eight consecutive years</li> </ul>

E. Resources allocated to cyber security management

Details of resources allocated to cyber security management and achievements in 2023 are as follows:

Classification	Outcome
Cyber security certification	Obtained ISO27001 certification for eight consecutive years (2016 to 2023)
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

F. Loss, impacts and action plans due to major cyber security incidents in the most recent year and as of the date of this annual report:

In 2023 and as of the date of this annual report, the Company did not have losses as a result of major cyber security incidents.

## 7. Material Contracts

Nature	Counterparty	Duration	Description	Covenant
Land Lease	Kaohsiung Export Process Zone Administration, Ministry of Economic Affairs	2022.01.01 - 2024.03.31	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 2019 to 2023 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 2019 to 2023				
		2019	2020	2021	2022	2023
Current Assets		7,601,893	7,581,801	9,556,959	7,913,120	7,374,560
Property, Plant and Equipment		2,993,090	3,176,745	3,360,247	3,905,972	4,529,075
Intangible Assets		127,107	124,053	162,379	164,049	151,100
Right-of-use Assets		379,444	380,857	371,103	381,448	363,168
Other Assets (Note 1)		272,447	268,459	624,192	482,938	613,559
<b>Total Assets</b>		<b>11,373,981</b>	<b>11,531,915</b>	<b>14,074,880</b>	<b>12,847,527</b>	<b>13,031,462</b>
Current Liabilities	Before Distribution	2,295,834	2,806,472	2,934,832	2,069,208	4,103,235
	After Distribution	2,818,633	3,329,271	3,457,631	2,592,007	4,312,355 (Note2)
Non-Current Liabilities		1,725,537	1,147,507	3,226,655	2,726,244	859,600
Total Liabilities	Before Distribution	4,021,371	3,953,979	6,161,487	4,795,452	4,962,835
	After Distribution	4,544,170	4,476,778	6,684,286	5,318,251	5,171,955 (Note2)
Equity Attributable to Shareholders of the Parent		7,246,043	7,459,864	7,765,296	7,908,032	7,987,302
Capital	Before Distribution	2,091,197	2,091,197	2,091,197	2,091,197	2,091,197
	After Distribution	2,091,197	2,091,197	2,091,197	2,091,197	2,195,757 (Note2)
Capital Surplus	Before Distribution	1,342,759	1,066,147	1,145,766	1,140,566	1,026,197
	After Distribution	1,070,904	1,066,147	1,145,766	1,015,094	1,026,197
Retained Earnings	Before Distribution	4,043,080	4,536,819	4,764,329	4,986,445	5,034,600
	After Distribution	3,792,136	4,014,020	4,241,530	4,589,118	4,720,920 (Note2)
Other Equity		(230,993)	(234,299)	(235,996)	(310,176)	(164,692)
Treasury Shares		-	-	-	-	-
Non-controlling Interests		106,567	118,072	148,097	144,043	81,325
Total Equity	Before Distribution	7,352,610	7,577,936	7,913,393	8,052,075	8,068,627
	After Distribution	6,829,811	7,055,137	7,390,594	7,529,276	7,859,507 (Note 2)

Note 1: Other assets are non-current assets excluding property, plant and equipment, intangible assets and right-of-use assets.

Note 2: Cash dividend of NT\$209,119,692 and stock dividend of NT\$104,559,850 for 2023 earnings distribution were approved in the Board meeting on February 20, 2024. The distribution of stock dividend is pending for an approval from the 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 2019 to 2023				
		2019	2020	2021	2022	2023
Net Revenue		7,583,654	8,766,318	9,405,002	8,721,875	8,150,519
Gross Profit, Net		1,739,138	2,078,573	2,198,643	2,078,863	1,791,507
Operating Income		740,787	1,042,885	948,808	648,080	487,598
Non-operating Income and Expenses		51,667	(77,088)	(7,994)	229,233	(5,279)
Income Before Income Tax		792,454	965,797	940,814	877,313	482,319
Net Income of Continuing Operations		618,282	784,353	744,862	691,713	360,723
Loss from Discontinued Operations		-	-	-	-	-
Net Income		618,282	784,353	744,862	691,713	360,723
Other Comprehensive Income, Net of Tax		(125,002)	(31,471)	14,022	(29,469)	167,525
Total Comprehensive Income		493,280	752,882	758,884	662,244	528,248
Net Income Attributable to Shareholders of the Parent		630,681	772,859	734,654	700,483	422,974
Net Income Attributable to Non-controlling Interests		(12,399)	11,494	10,208	(8,770)	(62,251)
Total Comprehensive Income Attributable to Shareholders of the Parent		505,924	741,377	748,612	670,749	590,966
Total Comprehensive Income Attributable to Non-controlling Interests		(12,644)	11,505	10,272	(8,505)	(62,718)
Earnings per Share		3.02	3.70	3.51	3.35	2.02

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.

## Condensed Balance Sheet (Parent Company Only)

(In Thousands of New Taiwan Dollars)

Item	Year	Highlights from 2019 to 2023				
		2019	2020	2021	2022	2023
Current Assets		5,412,728	5,430,061	7,049,812	5,363,888	4,853,445
Property, Plant and Equipment		2,212,219	2,193,741	2,159,881	2,334,661	2,400,662
Intangible Assets		52,531	50,467	91,212	89,778	77,368
Right-of-use Assets		259,165	251,158	241,961	241,187	238,488
Other Assets (Note 1)		2,835,575	2,931,670	3,912,483	4,218,213	4,714,471
Total Assets		10,772,218	10,857,097	13,455,349	12,247,727	12,284,434
Current Liabilities	Before Distribution	2,045,086	2,385,554	2,640,670	1,799,168	3,610,219
	After Distribution	2,567,885	2,908,353	3,163,469	2,321,967	3,819,339 (Note 2)
Non-Current Liabilities		1,481,089	1,011,679	3,049,383	2,540,527	686,913
Total Liabilities	Before Distribution	3,526,175	3,397,233	5,690,053	4,339,695	4,297,132
	After Distribution	4,048,974	3,920,032	6,212,852	4,862,494	4,506,252 (Note 2)
Equity Attributable to Shareholders of the Parent		7,246,043	7,459,864	7,765,296	7,908,032	7,987,302
Capital	Before Distribution	2,091,197	2,091,197	2,091,197	2,091,197	2,091,197
	After Distribution	2,091,197	2,091,197	2,091,197	2,091,197	2,195,757 (Note 2)
Capital Surplus	Before Distribution	1,342,759	1,066,147	1,145,766	1,140,566	1,026,197
	After Distribution	1,070,904	1,066,147	1,145,766	1,015,094	1,026,197
Retained Earnings	Before Distribution	4,043,080	4,536,819	4,764,329	4,986,445	5,034,600
	After Distribution	3,792,136	4,014,020	4,241,530	4,589,118	4,720,920 (Note 2)
Other Equity		(230,993)	(234,299)	(235,996)	(310,176)	(164,692)
Treasury Shares		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total Equity	Before Distribution	7,246,043	7,459,864	7,765,296	7,908,032	7,987,302
	After Distribution	6,723,244	6,937,065	7,242,497	7,385,233	7,778,182 (Note 2)

Note 1: Other assets are non-current assets excluding property, plant and equipment, right-of-use assets and intangible assets.

Note 2: Cash dividend of NT\$209,119,692 and stock dividend of NT\$104,559,850 for 2023 earnings distribution were approved in the Board meeting on February 20, 2024. The distribution of stock dividend is pending for an approval from the 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 2019 to 2023				
		2019	2020	2021	2022	2023
Net Revenue		6,919,495	7,491,041	7,671,215	7,287,918	6,837,677
Gross Profit		1,726,172	1,786,129	1,781,369	1,739,797	1,469,327
Operating Income		993,589	973,714	809,497	675,425	526,557
Non-operating Income and Expenses		(210,865)	(58,856)	93,234	192,610	(27,925)
Income Before Income Tax		782,724	914,858	902,731	868,035	498,632
Net Income of Continuing Operations		630,681	772,859	734,654	700,483	422,974
Loss from Discontinued Operations		-	-	-	-	-
Net Income		630,681	772,859	734,654	700,483	422,974
Other Comprehensive Income		(124,757)	(31,482)	13,958	(29,734)	167,992
Total Comprehensive Income		505,924	741,377	748,612	670,749	590,966
Earnings per Share		3.02	3.70	3.51	3.35	2.02

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.

(2) Names and opinions of independent auditors from 2019 to 2023:

Year	CPAs	CPA Firm	Audit Opinion	Remark
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	-
2022	Jheng-Chu Chen Ching-Piao Cheng	Ernst & Young	An Unqualified Opinion	Change of CPA due to administrative adjustment within the accounting firm
2023	Jheng-Chu Chen Ching-Piao Cheng	Ernst & Young	An Unqualified Opinion	-



## 2. Financial Analysis from 2019 to 2023

### (1) Financial Analysis (Consolidated)

Item	Year	Financial Analysis from 2019 to 2023				
		2019	2020	2021	2022	2023
Financial Structure %	Debt Ratio	35.35	34.28	43.77	37.32	38.08
	Long-term Fund to Property, Plant and Equipment Ratio	303.30	274.66	331.52	275.94	197.13
Liquidity Analysis %	Current Ratio	331.11	270.15	325.63	382.42	179.72
	Quick Ratio	284.66	221.70	260.19	294.81	144.17
	Times Interest Earned	4,119	4,752	4,624	2,592	1,586
Operating Performance	Accounts Receivable Turnover (Times)	1.84	2.33	2.30	2.27	2.17
	Days Sales Outstanding	198	157	159	161	168
	Inventory Turnover (Times)	4.86	6.02	4.57	3.65	3.99
	Average Payment Turnover (Times)	4.54	5.18	4.75	6.53	7.01
	Average Inventory Turnover Days	75	61	80	100	91
	Property, Plant and Equipment Turnover (Times)	2.52	2.84	2.87	2.40	1.93
	Total Assets Turnover (Times)	0.65	0.76	0.73	0.64	0.62
Profitability	Return on Assets (%)	5.43	6.99	5.95	5.34	2.98
	Return on Equity (%)	8.39	10.50	9.62	8.66	4.47
	Net Income before Income Tax to Paid-in Capital Ratio (%)	37.89	46.18	44.98	41.95	23.06
	Net Margin (%)	8.15	8.94	7.92	7.93	4.42
	Earnings per Share (NT\$)	3.02	3.70	3.51	3.35	2.02
Cash Flow	Cash Flow Ratio (%)	86.84	40.37	7.77	55.17	30.99
	Cash Flow Adequacy Ratio (%)	90.47	89.88	60.28	68.66	80.04
	Cash Flow Reinvestment Ratio (%)	13.08	5.46	(2.18)	4.56	6.25
Leverage	Operating Leverage	3.30	2.72	3.22	4.73	5.77
	Financial Leverage	1.02	1.02	1.02	1.05	1.07

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 2022 to 2023 are as follows:

#### A. Financial Structure

- Decrease in long-term fund to property, plant and equipment ratio: Primarily due to the transfer of bonds payable to current liabilities, resulting in a year-over-year decrease in long-term liabilities.

#### B. Liquidity Analysis

- Decrease in current and quick ratios: Primarily due to the transfer of bonds payable to current liabilities in 2023.
- Decrease in times interest earned: Primarily due to a weaker demand in consumer electronics, resulting in a decrease in revenue compared to 2022.

#### C. Operating Performance

- Decrease in property, plant and equipment turnover: Primarily due to an increase in capital expenditure and a weaker demand in consumer electronics, resulting in a decrease in revenue compared to 2022.

#### D. Profitability

- Decrease in all five ratios: Primarily due to a weaker demand in consumer electronics, resulting in a decrease in revenue and profits compared to 2022.

#### E. Cash Flow

- Decrease in cash flow ratio: Primarily due to the transfer of bonds payable to current liabilities.
- Increase in cash flow reinvestment ratio: Primarily due the transfer of bonds payable to current liabilities, resulting in a decrease in working capital compared to 2022.

F. Leverage

- Increase in operating leverage: Primarily due to a weaker demand in consumer electronics, resulting in lower revenue and consequently a decrease in operating income compared to 2022.

(2) Financial Analysis (Parent Company Only)

Item		Year	Financial Analysis from 2019 to 2023				
			2019	2020	2021	2022	2023
Financial Structure %	Debt Ratio		32.73	31.29	42.28	35.43	34.98
	Long-term Fund to Property, Plant and Equipment Ratio		394.49	386.16	500.70	447.54	361.32
Liquidity Analysis %	Current Ratio		264.66	227.62	266.97	298.13	134.43
	Quick Ratio		232.91	189.35	218.48	226.89	106.43
	Times Interest Earned		4,674	6,072	5,254	2,966	2,092
Operating Performance	Accounts Receivable Turnover (Times)		2.34	2.74	2.63	2.62	2.58
	Days Sales Outstanding		155	133	138	139	141
	Inventory Turnover (Times)		7.02	7.56	5.49	4.38	4.75
	Average Payment Turnover (Times)		4.27	5.16	4.56	5.96	6.62
	Average Inventory Turnover Days		52	48	66	83	77
	Property, Plant and Equipment Turnover (Times)		3.19	3.40	3.52	3.24	2.88
	Total Assets Turnover (Times)		0.62	0.69	0.63	0.56	0.55
Profitability	Return on Assets (%)		5.80	7.25	6.15	5.63	3.61
	Return on Equity (%)		8.69	10.51	9.65	8.93	5.32
	Net Income before Income Tax to Paid-in Capital Ratio (%)		37.42	43.74	43.16	41.50	23.84
	Net Margin (%)		9.11	10.31	9.57	9.61	6.18
	Earnings per Share (NT\$)		3.02	3.70	3.51	3.35	2.02
Cash Flow	Cash Flow Ratio (%)		64.22	45.29	12.19	52.33	29.22
	Cash Flow Adequacy Ratio (%)		79.67	78.80	47.24	64.55	92.49
	Cash Flow Reinvestment Ratio (%)		7.48	5.27	(1.58)	3.29	4.81
Leverage	Operating Leverage		2.35	2.48	2.94	3.65	4.17
	Financial Leverage		1.01	1.01	1.02	1.04	1.04

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 2022 to 2023 are as follows:

A. Liquidity Analysis

- Decrease in current and quick ratios: Primarily due to the transfer of bonds payable to current liabilities in 2023.

B. Profitability

- Decrease in all five ratios: Primarily due to a weaker demand in consumer electronics, resulting in a decrease in revenue and profits compared to 2022.

### C. Cash Flow

- Decrease in cash flow ratio and increase in cash flow reinvestment ratio: Primarily due to the transfer of bonds payable to current liabilities, resulting in an increase in current liabilities and a decrease in working capital compared to 2022.
- Increase in cash flow adequacy ratio: Primarily due to the effective inventory digestion in 2023, resulting in an increase in cash provided by operating activities.

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) Accounts Receivable Turnover = Net Revenue / Average Accounts Receivables (includes accounts receivable and notes receivable from operations)
  - (b) Days Sales Outstanding = 365 / Accounts Receivable Turnover
  - (c) Inventory Turnover = Operating Costs / Average Inventory
  - (d) Average Payment Turnover = Operating Costs / 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 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 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 2023**

#### **Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2023 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, Jheng-Chu Chen and Ching-Piao Cheng, 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 20, 2024

**4. Audited Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022**

Please refer to page 144 to 224.

**5. Audited Parent Company Only Financial Statements for the Years Ended December 31, 2023 and 2022**

Please refer to page 225 to 321.

**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 experience any financial or cash flow difficulties in 2023 and as of March 26, 2024.

## 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	2023	2022	Difference	
			Increase (Decrease)	%
Current Assets	7,374,560	7,913,120	(538,560)	(6.81)
Financial Assets at Fair Value through Other Comprehensive Income - Non-current	426,661	255,689	170,972	66.87
Investments Accounted for Using the Equity Method	15,152	27,508	(12,356)	(44.92)
Property, Plant and Equipment	4,529,075	3,905,972	623,103	15.95
Intangible Assets	151,100	164,049	(12,949)	(7.89)
Right-of-use Assets	363,168	381,448	(18,280)	(4.79)
Other Non-current Assets (including Deferred Income Tax Assets)	171,746	199,741	(27,995)	(14.02)
Total Assets	13,031,462	12,847,527	183,935	1.43
Current Liabilities	4,103,235	2,069,208	2,034,027	98.30
Non-current Liabilities	859,600	2,726,244	(1,866,644)	(68.47)
Total Liabilities	4,962,835	4,795,452	167,383	3.49
Total Capital	2,091,197	2,091,197	0	0.00
Capital Surplus	1,026,197	1,140,566	(114,369)	(10.03)
Retained Earnings	5,034,600	4,986,445	48,155	0.97
Other Equity	(164,692)	(310,176)	145,484	(46.90)
Non-controlling Interests	81,325	144,043	(62,718)	(43.54)
Total Equity	8,068,627	8,052,075	16,552	0.21
Significant variance:				
A. The increase in financial assets at fair value through other comprehensive income - non-current was mainly due to an increase in the price of financial assets measured at fair value.				
B. The decrease in investments accounted for using the equity method and non-controlling interests was mainly due to a decrease in long-term investments.				
C. The increase in current liabilities and the decrease in non-current liabilities were mainly due to the reclassification of bonds payable to current portion of bonds payable.				
D. The decrease in other equity was mainly due to the exchange differences on translation of foreign operations.				

## 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	2023	2022	Difference	
			Increase (Decrease)	%
Net Revenue	8,150,519	8,721,875	(571,356)	(6.55)
Operating Costs	6,359,012	6,643,012	(284,000)	(4.28)
Gross Profit, Net	1,791,507	2,078,863	(287,356)	(13.82)
Operating Expenses	1,303,909	1,430,783	(126,874)	(8.87)
Operating Income	487,598	648,080	(160,482)	(24.76)
Non-operating Income and Expenses	(5,279)	229,233	(234,512)	(102.30)
Income before Income Tax	482,319	877,313	(394,994)	(45.02)
Less: Income Tax Expense	121,596	185,600	(64,004)	(34.48)
Net Income	360,723	691,713	(330,990)	(47.85)
Significant variance:				
A. The decrease in operating income was mainly due to a decrease in revenue and consequently the gross profit.				
B. The increase in expenses under non-operating income and expenses was mainly due to the depreciation of U.S. dollars against the New Taiwan dollars, which resulted in foreign exchange losses.				
C. The decrease in income before income tax, income tax expense and net income was mainly due to a decrease in operating income and foreign exchange gains.				

### (2) Expected Sales Volume in 2024 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 to see moderate recovery in market demand in 2024. As an industry leader, we can benefit from the industry rebound and further increase our market share by leveraging our comprehensive product lines, reputable quality products and cost competitiveness, driving up the sales volume of electronic materials by a small increase compared to last year.

### (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, weightings of major customers, average productivity of employees, achievement rates of R&D projects, and achievement rates of supply chain management costs. The Company monitors peer competitions and industry dynamics through data analysis.

### 3. Cash Flows

#### (1) Variance Analysis of Cash Flows in 2023:

(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
2,264,386	1,271,852	(298,965)	1,965,421	-	-
Analysis of variance:					
A. Net cash generated by operating activities: Mainly due to the cash collections of accounts receivable and inventory digestion.					
B. Net cash used in investing activities: Mainly due to an increase in capital expenditures.					
C. Net cash used in financing activities: Mainly due to loan repayments and the distribution of cash dividends.					

(2) Improvement plans for liquidity shortfall: None.

#### (3) Liquidity Analysis for 2024:

Cash, Beginning of Year	Net Cash Provided by Operating Activities	Net Increase in Cash	Cash, Surplus/Shortage	Remedies for Cash Shortage	
				Investment Plans	Financing Plans
1,965,421	671,090	188,814	2,154,235	-	-
Analysis: We do not expect any cash shortage in 2024.					

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

On the consolidated basis, the Company paid NT\$1.015 billion for acquisition of property, plant and equipment in 2023. Capital expenditures were 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 investments. Losses on investments accounted for using the equity method in the consolidated financial statements for the year ended December 31, 2023 were mainly due to less than expected sales as economic downturn resulted in sluggish end demand and impairment loss of equipment. In the future, we will focus on strategic investments of our core business and prudently review whether our reinvestment plans shall be adjusted 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 2023 on the Company's profitability and associated action plans:

(In Thousands of New Taiwan Dollars)

Item	2023
Net Interest Income (Expense) (1)	(4,888)
Net Revenue (2)	8,150,519
Operating Income (3)	487,598
(1)/(2)	(0.06%)
(1)/(3)	(1.00%)

The Company incurred interest expense of NT\$4,888 thousand in 2023, which was 0.06% and 1.00% of revenue and operating income for the year, respectively. The decrease in percentages compared to 2022 was mainly due to loan repayments to lower interest expenses as operating capital was supplemented by the issuance of convertible bonds.

A 10-basis point increase/decrease in the market interest rate would increase/decrease the Company's income by NT\$1,364 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 corporate bonds in order to lower the cost of funds through an increase in direct financing.
- (c) To use banking facilities flexibly: The Company would review banks' savings and lending rates periodically and increase transaction volume with banks to obtain a better borrowing rate than the market, thereby making the most effective use of capital.

#### B. Impacts of foreign exchange rate fluctuations in 2023 on the Company's profitability and associated action plans:

(In Thousands of New Taiwan Dollars)

Item	2023
Net Foreign Exchange Gain (Loss) (1)	(40,023)
Net Revenue (2)	8,150,519
Operating Income (3)	487,598
(1)/(2)	(0.49%)
(1)/(3)	(8.21%)

Foreign exchange loss amounted to NT\$40,023 thousand in 2023, which was 0.49% and 8.21% of revenue and operating income for the year, respectively. This was mainly due to a significant appreciation of New Taiwan dollars against the U.S. dollars at the fourth quarter of 2023, resulting in a larger valuation loss on the U.S. dollar-denominated assets.

To mitigate the impact of exchange rate volatility, we carried out adequate hedging to balance our exposures.

The Company's revenue is mainly denominated in U.S. dollars and RMB while raw material purchases 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 which 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. Besides keeping a close watch on the economic situation of the international markets, changes in the financial markets and the foreign exchange market, we would continue to carry out the following actions:

- (a) In addition to natural hedging from sales and purchases, the capital management unit 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 exchange information with its main banks and monitor the exchange rates to 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:

Although Taiwan's inflation rate has accelerated slightly in recent periods due to increasing energy expenses and labor costs, as we are in the material industry with highly automated production process, short-term inflation does not have a significant impact on our profitability as the prices of raw materials, which account for the largest portion of the cost, remain stable as rising energy consumption and labor costs put pressure on costs.

However, in order to keep a close watch on the costs of raw materials, we will continue to expand our list of qualified suppliers both at home and abroad. We can reduce the risk of increasing cost from a single source under inflation through supplier diversification. At the same time, we will implement various energy saving and automation measures to not only mitigate the cost pressure from inflation but also move towards the goal of low energy consumption for sustainability purpose.

(2) 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 2023 and as of the date of this annual report, the Company did not engage in high-risk, high-leveraged investments.
- B. 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".
- C. The Company engages in derivative trading, forward contracts in particular, to hedge foreign currency risk. 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 MPI core technology for sub-6 frequency as the foundation, we will

collaborate with downstream customers on FPC materials for high-frequency, high-speed transmission as well as the Casting and Laminating series for the full thickness (5um~150um MPI) demand. We will also allocate resources on material development for the high-frequency feedline (mm-Wave) application.

The following products are the focus of the Company at present:

- 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 cover-layer: 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°C/85% RH, 1000 hours) with l/s 20/20 fine circuit. (cover-layer for fine circuits).
  - iv. Ultra-thin white reflective cover-layer: In response to thinner backlight modules, we develop ultra-thin white reflective cover-layer with no PI film. The product is 30% thinner than the original white cover-layer while still maintaining a reflectivity above 85%. Also, the new version does not have to include fluoro-base materials.
  - 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 low-loss CCL in the development of 77GHz/79GHz fluoro-based materials with low Df.
- (b) Product research and development for semiconductor:

We will extend the possibilities of polyimide applications based on existing polyimide synthesis core technology through industry-academic collaboration and collaboration with downstream customers, i.e., extending the FPC applications to the applications of advanced semiconductor packaging process. At present, key materials for semiconductor packaging are provided by large raw material suppliers in U.S. or Japan. Taiwanese companies have not been a part of the supply chain. This project can provide semiconductor packaging industry in Taiwan the option of local procurement.

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 multiple functional ICs for 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 existing polyimide synthesis core technology, we focus on developing encapsulant and glue for mass transfer for the next-generation MiniLED and MicroLED displays. As the next-generation display contains numerous small chips, encapsulant and glue for mass transfer have an enormous impact on yield. Through the development, we can assist Taiwanese panel makers with improving the yield and consequently their competitiveness, thereby facilitating the long-term developments of the entire panel supply chain.

B. Estimated expenses:

The Company will continue its efforts in research and development. The R&D expense is expected to be NT\$368,520 thousand in 2024, which is estimated to be 4.0% to 4.7% of the revenue in 2024.

(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 2023. Asia is the Company's major market and the percentage of sales in China remains relatively high. The Company has established plants at Nantong and 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 2023.

(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

As of the date of this annual report, the Company had no other significant risks.

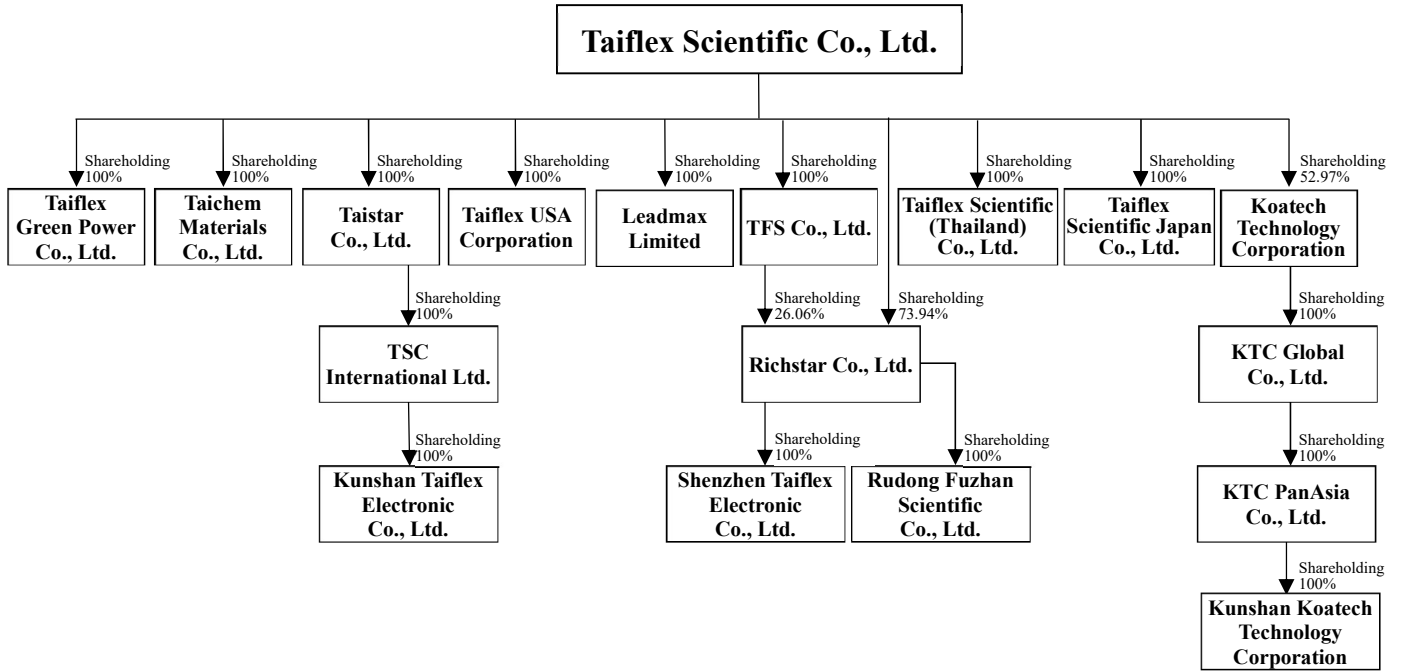
**7. Other Significant Matters:** None.

## VIII. Special Notes

### 1. Affiliates

#### (1) Consolidated Business Report of the Affiliates

##### A. Chart of affiliates (as of December 31, 2023)



Note: Leadmax Limited was liquidated in February 2024.

B. Basic information on affiliates

As of December 31, 2023 (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 (Note 1)	2005.05	Ground Floor NPF Building, Beach Road, Apia, Samoa	337	Trading of electronic materials
Taiflex Scientific Japan Co., Ltd.	2016.01	14F Arca Central 1-2-1 Kinshi Sumida-ku Tokyo 130-0013 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.	2021.03	No.1, Huanqu 3rd Rd., Qianzhen Dist., Kaohsiung City 806011, Taiwan, R.O.C.	50,000	Generation and selling of electricity from renewables
Taiflex Scientific (Thailand) Co., Ltd.	2022.05	540 Mercury tower, Floor 11th, Unit 1186, Ploenchit Road, Lumpini Sub-District, Pathumwan District, Bangkok 10330	796,455	Manufacturing and selling of electronic materials
Koatech Technology Corporation	2006.06	No.79, Guangfu Rd., Hsinchu Industrial Park, Hukou Township, Hsinchu County, Taiwan	304,380	Manufacturing and selling of electronic materials and components
KTC Global Co., Ltd.	2013.03	Offshore Chambers, P.O. Box 217, Apia, Samoa	113,517	Investment holding company
KTC PanAsia Co., Ltd.	2013.03	Offshore Chambers, P.O. Box 217, Apia, Samoa	113,368	Investment holding company
Kunshan Koatech Technology Corporation	2014.06	Room 321-2, No. 6 Leshan Road, Yushan Township, Kunshan City, Jiangsu Province, China	113,219	A wholesaler and a commission agent of electronic materials and components

Note 1: Leadmax Limited was liquidated in February 2024.

- 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, 2023

(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: Bing-Xun Zhang		
	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	Meng-Wu, Chen		
	Supervisor	Richstar Co., Ltd. Representative: Chi-Yuan Pan		
Leadmax Limited (Note 1)	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
Taiflex USA Corporation	Chairperson	Taiflex Scientific Co., Ltd. Representative: Zong-Han Jiang	1,000	100.00



Company	Title	Name or Representative	Shareholding	
			Shares	%
Taichem Materials Co., Ltd.	Chairperson	Taiflex Scientific Co., Ltd. Representative: Ta-Wen Sun	17,000,000	100.00
	Director	Taiflex Scientific Co., Ltd. Representative: Zong-Han Jiang		
	Director	Taiflex Scientific Co., Ltd. Representative: Jiang-Zhi Zhao		
	Director	Taiflex Scientific Co., Ltd. Representative: Guo-Xiong Xia		
	Director	Taiflex Scientific Co., Ltd. Representative: Xin-Yuan Chen		
	President	Yuan-Fu, Lin (Proxy)		
	Supervisor	Taiflex Scientific Co., Ltd. Representative: Chi-Yuan Pan		
Taiflex Green Power Co., Ltd.	Chairperson	Taiflex Scientific Co., Ltd. Representative: Ta-Wen Sun	5,000,000	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		
Taiflex Scientific (Thailand) Co., Ltd.	Director	Taiflex Scientific Co., Ltd. Representative: Ta-Wen Sun	91,600,000	100.00
	Director	Taiflex Scientific Co., Ltd. Representative: Zong-Han Jiang		
	Director	Taiflex Scientific Co., Ltd. Representative: Fang-I Hsieh		
	Director	Taiflex Scientific Co., Ltd. Representative: Jiang-Zhi Zhao		
	Director & President	Taiflex Scientific Co., Ltd. Representative: Ling-Chun, Liu		
Koatech Technology Corporation	Chairperson	Taiflex Scientific Co., Ltd. Representative: Zhi-Ming Yen	16,123,687	52.97
	Director	Taiflex Scientific Co., Ltd. Representative: Fu-Le Lin		
	Director	Taiflex Scientific Co., Ltd. Representative: I-An Chen		
	Director	Taiflex Scientific Co., Ltd. Representative: Kuo-Liang Chiang		
	Director	Taiflex Scientific Co., Ltd. Representative: Zong-Ru Shen		
	President	Taiflex Scientific Co., Ltd. Representative: Yu-Meng Hsu		
	Supervisor	Fang-I Hsieh	-	-
	Supervisor	Mei-Xian Su	-	-
KTC Global Co., Ltd.	Chairperson	Koatech Technology Corporation Representative: Fu-Le Lin	3,960,000	100.00
KTC PanAsia Co., Ltd.	Chairperson	KTC Global Co., Ltd. Representative: Fu-Le Lin	3,955,000	100.00

Company	Title	Name or Representative	Shareholding	
			Shares	%
Kunshan Koatech Technology Corporation	Chairperson	KTC PanAsia Co., Ltd. Representative: Zhi-Ming Yen	(Note 2)	100.00

Note 1: Leadmax Limited was liquidated in February 2024.

Note 2: Those limited companies do not issue shares.

#### F. Operational highlights of Affiliates:

As of December 31, 2023

(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	800,598	91	800,507	0	(2,264)	(11,531)	(0.53)
TSC International Ltd.	683,946	781,988	0	781,988	0	0	(9,432)	(0.45)
Kunshan Taiflex Electronic Co., Ltd.	767,141	1,052,204	270,287	781,917	607,503	8,957	(9,432)	N/A
TFS Co., Ltd.	478,797	521,492	0	521,492	0	0	490	0.03
Richstar Co., Ltd.	1,794,802	2,000,624	0	2,000,624	0	0	1,877	0.03
Shenzhen Taiflex Electronic Co., Ltd.	479,160	1,746,526	1,025,101	721,425	1,776,285	(1,479)	158	N/A
Rudong Fuzhan Scientific Co., Ltd.	1,316,239	2,023,349	738,068	1,285,281	1,002,093	18,385	7,949	N/A
Leadmax Limited (Note 3)	337	525	0	525	0	(135)	(128)	(12.80)
Taiflex Scientific Japan Co., Ltd.	16,260	15,271	525	14,746	5,387	264	240	40.00
Taiflex USA Corporation	8,820	12,153	1,188	10,965	16,655	1,304	669	669.00
Taichem Materials Co., Ltd.	170,000	420,836	129,007	291,829	338,062	62,622	59,615	3.51
Taiflex Green Power Co., Ltd.	50,000	94,102	42,428	51,674	3,347	1,280	1,069	0.21
Taiflex Scientific (Thailand) Co., Ltd.	796,455	1,006,593	189,904	816,689	0	(12,248)	(6,740)	(0.08)
Koatech Technology Corporation	304,380	532,155	359,235	172,920	179,095	(65,606)	(132,365)	(8.21)
KTC Global Co., Ltd.	113,517	42,930	0	42,930	0	0	(61,252)	(15.47)
KTC PanAsia Co., Ltd.	113,368	42,916	0	42,916	0	0	(61,252)	(15.49)
Kunshan Koatech Technology Corporation	113,219	241,832	198,928	42,904	121,207	(60,492)	(61,252)	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, total assets and total 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: Leadmax Limited was liquidated in February 2024.

(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 144 to 224.

(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 the Most Recent Year and as of the Date of this Annual Report that had Significant Impacts on Shareholders' Right or Security Prices as Stated in Subparagraph 2, Paragraph 3, 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, 2023, 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 Standard 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 20, 2024

## 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, 2023 and 2022, 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, 2023 and 2022, 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. 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, 2023 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 coverlay amounted to NT\$3,816,017 thousand and accounted for 30% of Taiflex Group's consolidated total assets as of December 31, 2023. 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, 2023, net inventories of flexible copper-clad laminate and coverlay amounted to NT\$1,409,726 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 Group or cease its 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If those amounts of misstatements, either individually or in the aggregate, could reasonably be expected to influence the economic decisions of financial statements users, they are considered material.

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

1. Identify and assess the risks of material misstatement arising from fraud or error within the 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, 2023. 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, 2023 and 2022, which we had audited and issued an unqualified opinion.

Ernst & Young, Taiwan

February 20, 2024



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

Assets	Notes	December 31, 2023	December 31, 2022
<b>Current assets</b>			
Cash and cash equivalents	4, 6(1)	\$ 1,965,421	\$ 2,264,386
Financial assets at fair value through profit or loss - current	4, 6(2)	32,713	26,925
Financial assets at amortized cost - current	4, 6(3)	-	30,743
Notes receivable, net	4, 6(4)	720,982	702,095
Accounts receivable, net	4, 6(5)	3,095,035	2,991,214
Other receivables		52,913	36,871
Inventories, net	4, 6(6)	1,409,726	1,770,596
Prepayments		48,981	42,169
Other current assets	8	48,789	48,121
Total current assets		7,374,560	7,913,120
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income - non-current	4, 6(7)	426,661	255,689
Investments accounted for using the equity method	4, 6(8)	15,152	27,508
Property, plant and equipment	4, 6(9)	4,529,075	3,905,972
Right-of-use assets	4, 6(22)	363,168	381,448
Intangible assets	4, 6(10,12)	151,100	164,049
Deferred income tax assets	4, 6(25)	157,049	175,599
Other non-current assets	4, 6(11)	14,697	24,142
Total non-current assets		5,656,902	4,934,407
<b>Total assets</b>		<b>\$ 13,031,462</b>	<b>\$ 12,847,527</b>

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

(Continued)

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

Liabilities and Equity	Notes	December 31, 2023	December 31, 2022
<b>Current liabilities</b>			
Short-term loans	6(13)	\$ 218,859	\$ 255,000
Financial liabilities at fair value through profit or loss - current	4, 6(14)	1,570	21,136
Contract liabilities - current	4, 6(20)	1,473	758
Notes payable		18,578	402
Accounts payable		1,042,424	752,369
Other payables		652,002	669,642
Current income tax liabilities	4, 6(25)	216,706	275,025
Lease liabilities - current	4, 6(22)	19,775	21,926
Current portion of bonds	6(15)	1,891,501	-
Current portion of long-term loans	6(16)	36,457	69,260
Other current liabilities		3,890	3,690
Total current liabilities		4,103,235	2,069,208
<b>Non-current liabilities</b>			
Bonds payable	6(15)	-	1,873,400
Long-term loans	6(16)	345,524	305,216
Deferred income tax liabilities	4, 6(25)	118,076	108,382
Lease liabilities - non-current	4, 6(22)	247,359	259,844
Net defined benefit liabilities - non-current	4, 6(17)	132,642	179,147
Other non-current liabilities	4, 12	15,999	255
Total non-current liabilities		859,600	2,726,244
Total liabilities		4,962,835	4,795,452
<b>Equity attributable to shareholders of the parent</b>			
Capital	6(18)		
Common stock		2,091,197	2,091,197
Capital surplus	6(18)	1,026,197	1,140,566
Retained earnings			
Legal reserve		1,163,891	1,089,400
Special reserve		310,176	235,996
Unappropriated earnings		3,560,533	3,661,049
Total retained earnings		5,034,600	4,986,445
Others	4	(164,692)	(310,176)
Total equity attributable to shareholders of the parent		7,987,302	7,908,032
Non-controlling interests	4, 6(18)	81,325	144,043
Total equity		8,068,627	8,052,075
<b>Total liabilities and equity</b>		<b>\$ 13,031,462</b>	<b>\$ 12,847,527</b>

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

(Concluded)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the Years Ended December 31, 2023 and 2022  
(In Thousands of New Taiwan Dollars)

	Notes	2023	2022
Operating revenue	4, 6(20)	\$ 8,150,519	\$ 8,721,875
Operating costs	4, 6(6,23)	(6,359,012)	(6,643,012)
Gross profit		<u>1,791,507</u>	<u>2,078,863</u>
Operating expenses	4, 6(23)		
Sales and marketing expenses		(455,450)	(537,631)
General and administrative expenses		(478,979)	(486,493)
Research and development expenses		(366,518)	(400,591)
Expected credit loss	6(21)	(2,962)	(6,068)
Total operating expenses		<u>(1,303,909)</u>	<u>(1,430,783)</u>
Operating income		<u>487,598</u>	<u>648,080</u>
Non-operating income and expenses	6(24)		
Interest income		27,568	15,275
Other income		47,126	41,199
Other gains and losses		(36,355)	209,569
Finance costs		(32,456)	(35,206)
Share of profit or loss of associates accounted for using the equity method	4, 6(8)	(11,162)	(1,604)
Total non-operating income and expenses		<u>(5,279)</u>	<u>229,233</u>
Income before income tax		482,319	877,313
Income tax expense	4, 6(25)	(121,596)	(185,600)
Net income from continuing operations		<u>360,723</u>	<u>691,713</u>
Net income		<u>360,723</u>	<u>691,713</u>
Other comprehensive income (loss)	6(24)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan		28,134	55,540
Unrealized gain on investments in equity instruments at fair value through other comprehensive income		170,972	(116,948)
Income tax related to items that will not be reclassified subsequently		(5,626)	(11,108)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(32,443)	53,809
Income tax related to items that may be reclassified subsequently to profit or loss		6,488	(10,762)
Total other comprehensive income (loss), net of tax		<u>167,525</u>	<u>(29,469)</u>
Total comprehensive income		<u>\$ 528,248</u>	<u>\$ 662,244</u>
Net income attributable to:			
Shareholders of the parent		\$ 422,974	\$ 700,483
Non-controlling interests		(62,251)	(8,770)
		<u>\$ 360,723</u>	<u>\$ 691,713</u>
Total comprehensive income (loss) attributable to:			
Shareholders of the parent		\$ 590,966	\$ 670,749
Non-controlling interests		(62,718)	(8,505)
		<u>\$ 528,248</u>	<u>\$ 662,244</u>
Earnings per share (NT\$)	4, 6(26)		
Earnings per share - basic		\$ 2.02	\$ 3.35
Earnings per share - diluted		<u>\$ 1.73</u>	<u>\$ 2.87</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, 2023 and 2022  
(In Thousands of New Taiwan Dollars)

Item	Equity Attributable to Shareholders of the Parent							Total	Non-Controlling Interests	Total Equity
	Retained Earnings					Others				
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income			
Balance as of January 1, 2022	\$ 2,091,197	\$ 1,145,766	\$ 1,014,369	\$ 234,299	\$ 3,515,661	\$ (213,774)	\$ (22,222)	\$ 7,765,296	\$ 148,097	\$ 7,913,393
Appropriation and distribution of 2021 earnings										
Legal reserve					(75,031)			-		-
Special reserve			75,031	1,697	(1,697)			-		-
Cash dividends for common stocks					(522,799)			(522,799)		(522,799)
Changes in other capital surplus										
Changes from investments in associates accounted for using the equity method		7						7		7
Net income for the year ended December 31, 2022					700,483			700,483	(8,770)	691,713
Other comprehensive income (loss) for the year ended December 31, 2022					44,432	42,782	(116,948)	(29,734)	265	(29,469)
Total comprehensive income	-	-	-	-	744,915	42,782	(116,948)	670,749	(8,505)	662,244
Disposal of investments accounted for using the equity method		(5,207)						(5,207)		(5,207)
Changes in percentage of ownership interests in subsidiaries						(14)		(14)		(14)
Non-controlling interests									4,451	4,451
Balance as of December 31, 2022	<u>\$ 2,091,197</u>	<u>\$ 1,140,566</u>	<u>\$ 1,089,400</u>	<u>\$ 235,996</u>	<u>\$ 3,661,049</u>	<u>\$ (171,006)</u>	<u>\$ (139,170)</u>	<u>\$ 7,908,032</u>	<u>\$ 144,043</u>	<u>\$ 8,052,075</u>
Balance as of January 1, 2023	\$ 2,091,197	\$ 1,140,566	\$ 1,089,400	\$ 235,996	\$ 3,661,049	\$ (171,006)	\$ (139,170)	\$ 7,908,032	\$ 144,043	\$ 8,052,075
Appropriation and distribution of 2022 earnings										
Legal reserve			74,491		(74,491)			-		-
Special reserve				74,180	(74,180)			-		-
Cash dividends for common stocks					(397,327)			(397,327)		(397,327)
Changes in other capital surplus										
Changes from investments in associates accounted for using the equity method		73						73		73
Cash dividends from capital surplus		(125,472)						(125,472)		(125,472)
Net income for the year ended December 31, 2023					422,974			422,974	(62,251)	360,723
Other comprehensive income (loss) for the year ended December 31, 2023					22,508	(25,488)	170,972	167,992	(467)	167,525
Total comprehensive income	-	-	-	-	445,482	(25,488)	170,972	590,966	(62,718)	528,248
Disposal of investments accounted for using the equity method		(3)						(3)		(3)
Share-based payments		11,033						11,033		11,033
Balance as of December 31, 2023	<u>\$ 2,091,197</u>	<u>\$ 1,026,197</u>	<u>\$ 1,163,891</u>	<u>\$ 310,176</u>	<u>\$ 3,560,533</u>	<u>\$ (196,494)</u>	<u>\$ 31,802</u>	<u>\$ 7,987,302</u>	<u>\$ 81,325</u>	<u>\$ 8,068,627</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, 2023 and 2022  
(In Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities:		
Income before income tax	\$ 482,319	\$ 877,313
Adjustments:		
Non-cash income and expense items:		
Depreciation	435,954	408,616
Amortization	23,251	23,284
Expected credit loss	2,962	6,068
Net (gain) loss on financial assets (liabilities) at fair value through profit or loss	(5,345)	71,326
Interest expense	32,456	35,206
Interest income	(27,568)	(15,275)
Compensation costs of share-based payments	11,033	-
Share of loss of associates accounted for using the equity method	11,162	1,604
Loss (gain) on disposal of property, plant and equipment	308	(427)
Gain on disposal of investments accounted for using the equity method	(807)	(39,846)
Others	70,461	126,302
Changes in operating assets and liabilities:		
Increase in financial assets mandatorily at fair value through profit or loss	(20,009)	(60,635)
(Increase) decrease in notes receivable	(18,887)	227,209
(Increase) decrease in accounts receivable	(107,478)	36,253
(Increase) decrease in other receivables	(17,471)	14,658
Decrease (increase) in inventories	291,757	(28,154)
(Increase) decrease in prepayments	(11,009)	10,442
(Increase) decrease in other current assets	(988)	773
Decrease (increase) in other non-current assets	10,361	(10,775)
Increase (decrease) in contract liabilities	715	(1,095)
Increase in notes payable	18,176	33
Increase (decrease) in accounts payable	290,055	(526,934)
(Decrease) increase in other payables	(47,942)	57,209
Increase (decrease) in other current liabilities	200	(139)
Decrease in net defined benefit liabilities	(23,997)	(25,110)
Cash generated from operations	<u>1,399,669</u>	<u>1,187,906</u>
Interest received	28,997	14,263
Interest paid	(10,202)	(11,468)
Income tax paid	(146,612)	(48,995)
Net cash generated by operating activities	<u>\$ 1,271,852</u>	<u>\$ 1,141,706</u>

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS-(Continued)  
For the Years Ended December 31, 2023 and 2022  
(In Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from investing activities:		
Disposal of financial assets at amortized cost	\$ 30,743	\$ 246,157
Disposal of investments accounted for using the equity method	2,071	46,419
Acquisition of property, plant and equipment	(1,015,157)	(977,068)
Disposal of property, plant and equipment	92	1,151
Increase in refundable deposits	(1,525)	-
Decrease in refundable deposits	-	702
Acquisition of intangible assets	(1,210)	(4,359)
Increase in other current assets - other financial assets - current	-	(1,297)
Decrease in other current assets - other financial assets - current	320	-
Net cash used in investing activities	<u>(984,666)</u>	<u>(688,295)</u>
Cash flows from financing activities:		
Decrease in short-term loans	(36,141)	(535,000)
Increase in long-term loans	7,505	-
Repayment of long-term loans	-	(435,244)
Increase in guarantee deposits received	15,744	-
Repayment of lease principal	(32,381)	(23,533)
Distribution of cash dividends	(522,799)	(522,799)
Changes in non-controlling interests	-	4,437
Net cash used in financing activities	<u>(568,072)</u>	<u>(1,512,139)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(18,079)</u>	<u>52,713</u>
Net decrease in cash and cash equivalents	<u>(298,965)</u>	<u>(1,006,015)</u>
Cash and cash equivalents at beginning of period	<u>2,264,386</u>	<u>3,270,401</u>
Cash and cash equivalents at end of period	<u>\$ 1,965,421</u>	<u>\$ 2,264,386</u>

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

(Concluded)

TAIFLEX SCIENTIFIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended December 31, 2023 and 2022  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. History and Organization

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

2. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the years ended December 31, 2023 and 2022 were approved and authorized for issue in the Board of Directors’ meeting on February 20, 2024.

3. Newly Issued or Revised Standards and Interpretations

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

The Group has adopted International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations and SIC interpretations endorsed by the Financial Supervisory Commission (FSC) to take effect for annual periods beginning on January 1, 2023. The first-time adoption of new standards and amendments does not have any material impact on the Group.

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

No.	Projects of New or Amended Standards and Interpretations	Effective Date
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
IAS 1	Non-current Liabilities with Covenants	January 1, 2024
IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024

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

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

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

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

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

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

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

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

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

The aforementioned new, revised or amended standards and interpretations are issued by IASB and endorsed by the FSC to take effect for annual periods beginning on January 1, 2024. 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 the FSC:

No.	Projects of New or Amended Standards and Interpretations	Effective Date
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 17	Insurance Contracts	January 1, 2023
IAS 21	Lack of Exchangeability	January 1, 2025

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

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

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



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

B. IFRS 17 “Insurance Contracts”

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

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

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

C. Lack of Exchangeability (Amendments to IAS 21)

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

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

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The consolidated financial statements for the years ended December 31, 2023 and 2022 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 the FSC.

(2) Basis of preparation

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

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

(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 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.

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. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss for the period, or transfers directly to retained earnings as required by other IFRSs; and
- F. recognizes any resulting difference in profit or loss for the period.

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

The consolidated entities are listed as follows:

Investor	Subsidiary	Main Business	Ownership Percentage	
			2023.12.31	2022.12.31
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	52.97%	52.97%
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%
The Company	Richstar Co., Ltd. (Richstar)	Investment holding	73.94%	73.94%
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%	100.00%
The Company	Taiflex Scientific (Thailand) Co., Ltd. (Thailand Taiflex)	Manufacturing and selling of electronic materials	100.00%	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%	26.06%
Richstar	Shenzhen Taiflex Electronic Co., Ltd. (Shenzhen Taiflex)	Trading of coating materials for high polymer film and copper foil	100.00%	100.00%
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%

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

(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.

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

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.
- 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.

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

(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
- 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

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

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.

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.

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

- (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 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 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)

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

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.
- (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 plus 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.



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

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 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.)

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

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 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 instruments

The Group uses derivative instruments to hedge its foreign currency risk and interest rate risk. 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.

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

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 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.

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

(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.

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.

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

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 and 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.

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

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

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

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

(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.

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

(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.

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.

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

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.

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.

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

(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 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.



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

(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.

(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, coverlay, bonding sheet, stiffener and composite film. Revenues are recognized based on the prices stated on the contracts.

The credit terms of accounts receivables are set at monthly settlement with payment in 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.

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

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:

- 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) Share-based payment transactions

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

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

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

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

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

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

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

(21) 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) nor gives rise to equal taxable and deductible temporary differences;
- B. Where the taxable temporary differences are associated with investments in subsidiaries and associates and the timing of the reversal of the differences 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:

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

- 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 (loss) nor gives rise to equal taxable and deductible temporary differences; and
- B. Where the deferred income tax asset is related to the deductible temporary differences associated with investments in subsidiaries and associates. The deferred income tax asset is recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the 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.

Pursuant to the temporary exception of the “International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)”, the Group does not recognize deferred income tax assets and liabilities related to pillar two income taxes nor disclose relevant information.

(22) 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

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

contingent consideration is classified as equity, it shall 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.

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) 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 (the carrying amount) and cash flows the Group expects to receive (by assessing the forward-looking information). For short-term receivables, as the discount effect is not significant, credit loss is measured using the undiscounted difference. Less-than-expected future cash flows could result in significant impairment charges. Please refer to Note 6(21) for details.

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

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. Impairment of non-financial assets

Where the carrying amount of an asset or a CGU exceeds its recoverable amount, the asset or CGU is considered impaired. The recoverable amount is the higher of the fair value net of costs of disposal or value in use of the asset or CGU. The fair value net of costs of disposal is calculated by subtracting the incremental costs that are directly attributable to the disposal of the asset or CGU from the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The value in use is calculated based on the discounted cash flows model. The estimated cash flows are based on a budget for the next five years and shall exclude restructurings the Group has yet to commit to or major investments in later periods that are necessary for enhancing the said CGU's performance. The recoverable amount is easily influenced by the discount rate used in the discounted cash flows model and the expected future cash inflows and growth rate applied for extrapolation purposes. Please refer to Note 6(12) for details on the principal assumptions for determining the recoverable amounts of different CGUs, including the sensitivity analysis.

E. Post-employment benefit plans

The cost of pension plan and the present value of defined benefit obligation within the post-employment benefit plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rates and expected future salary changes. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6(17).

F. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences between the actual results and the assumptions made or future changes to such assumptions could necessitate future adjustments to tax benefit and expense already recorded. The 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 profits 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, 2023 are disclosed in Note 6(25).

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

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and petty cash	\$ 872	\$ 795
Bank deposits	1,964,549	2,063,919
Repurchased agreements	-	199,672
Total	<u>\$ 1,965,421</u>	<u>\$ 2,264,386</u>

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

	December 31, 2023	December 31, 2022
Mandatorily at fair value through profit or loss:		
Derivative instruments not designated in a hedging relationship		
- Forward foreign exchange contracts	\$ 4,867	\$ 189
- Foreign exchange swap contracts	92	-
Stocks	27,754	26,736
Total	<u>\$ 32,713</u>	<u>\$ 26,925</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, 2023	December 31, 2022
Time deposits - current	<u>\$ -</u>	<u>\$ 30,743</u>

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

(4) Notes receivable, net

	December 31, 2023	December 31, 2022
Notes receivable, net	<u>\$ 720,982</u>	<u>\$ 702,095</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, 2023	December 31, 2022
Accounts receivable	\$ 3,146,625	\$ 3,041,050
Less: Loss allowance	(51,590)	(49,836)
Accounts receivable, net	<u>\$ 3,095,035</u>	<u>\$ 2,991,214</u>

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

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

- B. The credit terms of accounts receivables are generally set at monthly settlement with payment in 60 to 180 days. Please refer to Note 6(21) for loss allowance for the years ended December 31, 2023 and 2022 and Note 12 for credit risk.

(6) Inventories, net

	December 31, 2023	December 31, 2022
Raw materials	\$ 656,164	\$ 921,077
Inventories in transit	73,622	23,181
Supplies	12,616	24,027
Work in progress	31,946	14,616
Finished goods	412,160	494,115
Merchandise	223,218	293,580
Total	<u>\$ 1,409,726</u>	<u>\$ 1,770,596</u>

The Group recognized NT\$6,359,012 thousand and NT\$6,643,012 thousand of operating costs associated with inventories for the years ended December 31, 2023 and 2022, respectively. Inventory valuation loss for inventories written down to their net realizable value amounted to NT\$26,567 thousand and NT\$104,648 thousand for the years ended December 31, 2023 and 2022, respectively.

The aforementioned inventories were not pledged.

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

	December 31, 2023	December 31, 2022
Investments in equity instruments at fair value through other comprehensive income - non-current:		
Publicly traded stocks	\$ 426,661	\$ 255,689
Non-publicly traded stocks	-	-
Total	<u>\$ 426,661</u>	<u>\$ 255,689</u>

The said financial assets at fair value through other comprehensive income were not pledged. As of December 31, 2023, the unrealized valuation loss on financial assets at fair value through other comprehensive income was fully recognized upon evaluation under valuation adjustment of investments in equity instruments at fair value through other comprehensive income. Please refer to Table 3 for details.

(8) Investments accounted for using the equity method

Investee	December 31, 2023		December 31, 2022	
	Amount	Ownership Percentage	Amount	Ownership Percentage
Investments in associates:				
Innovision FlexTech Corp.	<u>\$ 15,152</u>	12.97%	<u>\$ 27,508</u>	13.67%

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

Fair value when there is a quoted market price: Innovision FlexTech Corp. is a company listed on the Emerging Stock Board of Taipei Exchange. The fair value of the Group's investment in Innovision FlexTech Corp. amounted to NT\$33,846 thousand as of December 31, 2023.



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

- A. The shares of profit or loss of associates accounted for using the equity method for the years ended December 31, 2023 and 2022 were as follows:

Investee	Years Ended December 31	
	2023	2022
Innovision FlexTech Corp.	\$ (11,162)	\$ 138
Geckos Technology Corp.	-	(1,742)
Total	<u>\$ (11,162)</u>	<u>\$ (1,604)</u>

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

	December 31, 2023	December 31, 2022
Total assets	\$ 256,117	\$ 381,120
Total liabilities	\$ 139,292	\$ 179,834

	Years Ended December 31	
	2023	2022
Revenue	\$ 198,114	\$ 228,126
Net income	\$ (85,033)	\$ 863

- 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.

(9) Property, plant and equipment

	December 31, 2023	December 31, 2022
Owner-occupied property, plant and equipment	<u>\$ 4,529,075</u>	<u>\$ 3,905,972</u>

A. Owner-occupied property, plant and equipment

Cost	As of January 1, 2023	Addition	Disposal	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of December 31, 2023
	Land						\$ 327,936
Buildings	1,848,661	157,029	(720)	-	-	(7,361)	1,997,609
Machinery and equipment	3,597,680	451,525	(721)	-	-	(5,381)	4,043,103
Hydropower equipment	472,741	14,532	(7,904)	-	-	(965)	478,404
Testing equipment	397,342	6,326	(388)	-	-	(578)	402,702
Miscellaneous equipment	328,648	51,875	(1,149)	-	-	(668)	378,706
Total	<u>\$ 6,973,008</u>	<u>\$ 681,287</u>	<u>\$ (10,882)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,661)</u>	<u>\$ 7,635,752</u>

(Continued)

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

	As of January 1, 2023	Addition	Disposal	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of December 31, 2023
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 625,397	\$ 95,058	\$ (720)	\$ -	\$ -	\$ (1,085)	\$ 718,650
Machinery and equipment	2,356,965	226,194	(490)	-	-	(1,556)	2,581,113
Hydropower equipment	285,928	23,038	(7,904)	-	-	(297)	300,765
Testing equipment	252,026	32,442	(282)	-	-	(330)	283,856
Miscellaneous equipment	225,305	30,456	(1,086)	-	-	(461)	254,214
Total	<u>\$ 3,745,621</u>	<u>\$ 407,188</u>	<u>\$ (10,482)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,729)</u>	<u>\$ 4,138,598</u>
Construction in progress and equipment awaiting inspection	678,585	365,000	-	(10,069)	-	(1,595)	1,031,921
Net	<u>\$ 3,905,972</u>						<u>\$ 4,529,075</u>

(Concluded)

	As of January 1, 2022	Addition	Disposal	Reclassification	Impairment Loss	Effect of Exchange Rate Changes	As of December 31, 2022
<u>Cost</u>							
Land	\$ 100,843	\$ 227,093	\$ -	\$ -	\$ -	\$ -	\$ 327,936
Buildings	1,720,051	122,591	-	-	-	6,019	1,848,661
Machinery and equipment	3,260,475	341,873	(9,046)	183	-	4,195	3,597,680
Hydropower equipment	456,946	15,703	(680)	-	-	772	472,741
Testing equipment	381,578	16,320	(791)	(183)	-	418	397,342
Miscellaneous equipment	339,828	33,876	(45,571)	-	-	515	328,648
Total	<u>\$ 6,259,721</u>	<u>\$ 757,456</u>	<u>\$ (56,088)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,919</u>	<u>\$ 6,973,008</u>
<u>Accumulated depreciation and impairment</u>							
Buildings	\$ 543,832	\$ 81,274	\$ -	\$ -	\$ -	\$ 291	\$ 625,397
Machinery and equipment	2,148,442	216,716	(8,605)	-	-	412	2,356,965
Hydropower equipment	264,442	22,084	(680)	-	-	82	285,928
Testing equipment	214,785	37,665	(523)	-	-	99	252,026
Miscellaneous equipment	243,399	27,275	(45,556)	-	-	187	225,305
Total	<u>\$ 3,414,900</u>	<u>\$ 385,014</u>	<u>\$ (55,364)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,071</u>	<u>\$ 3,745,621</u>
Construction in progress and equipment awaiting inspection	515,426	182,624	-	(20,385)	-	920	678,585
Net	<u>\$ 3,360,247</u>						<u>\$ 3,905,972</u>

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

(10) Intangible assets

	As of January 1, 2023	Addition	Disposal	Reclassification	Effect of Exchange Rate Changes	As of December 31, 2023
<u>Cost</u>						
Trademarks	\$ 762	\$ 41	\$ (176)	\$ -	\$ -	\$ 627
Patents	48,209	243	(13,840)	-	-	34,612
Computer software	266,934	926	(103,297)	8,680	(115)	173,128
Goodwill	69,781	-	-	-	-	69,781
Total	<u>\$ 385,686</u>	<u>\$ 1,210</u>	<u>\$ (117,313)</u>	<u>\$ 8,680</u>	<u>\$ (115)</u>	<u>\$ 278,148</u>

(Continued)

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

	As of January 1, 2023	Addition	Disposal	Reclassification	Effect of Exchange Rate Changes	As of December 31, 2023
<u>Accumulated amortization and impairment</u>						
Trademarks	\$ 542	\$ 58	\$ (176)	\$ -	\$ -	\$ 424
Patents	41,542	756	(13,840)	-	-	28,458
Computer software	179,553	22,025	(103,297)	-	(115)	98,166
Total	221,637	\$ 22,839	\$ (117,313)	\$ -	\$ (115)	127,048
Net						\$ 151,100

(Concluded)

	As of January 1, 2022	Addition	Disposal	Reclassification	Effect of Exchange Rate Changes	As of December 31, 2022
<u>Cost</u>						
Trademarks	\$ 732	\$ 30	\$ -	\$ -	\$ -	\$ 762
Patents	47,964	245	-	-	-	48,209
Computer software	243,064	4,084	-	19,683	103	266,934
Goodwill	69,781	-	-	-	-	69,781
Total	\$ 361,541	\$ 4,359	\$ -	\$ 19,683	\$ 103	\$ 385,686

	As of January 1, 2022	Addition	Disposal	Reclassification	Effect of Exchange Rate Changes	As of December 31, 2022
<u>Accumulated amortization and impairment</u>						
Trademarks	\$ 486	\$ 56	\$ -	\$ -	\$ -	\$ 542
Patents	40,713	829	-	-	-	41,542
Computer software	157,963	21,502	-	-	88	179,553
Total	199,162	\$22,387	\$ -	\$ -	\$ 88	221,637
Net						\$ 164,049

(11) Other non-current assets

	December 31, 2023	December 31, 2022
Refundable deposits	\$ 14,370	\$ 12,845
Other non-current assets - other	327	11,297
Total	\$ 14,697	\$ 24,142

(12) 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:

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

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

Sensitivity to changes in assumption

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

(13) Short-term loans

	December 31, 2023	December 31, 2022
Unsecured bank loans	\$ 218,859	\$ 255,000

The interest rate ranges of loans were 0.50% to 4.65% and 1.22% to 2.15% and the unused short-term credit facilities amounted to NT\$3,914,140 thousand and NT\$3,560,804 thousand as of December 31, 2023 and 2022, respectively.

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

	December 31, 2023	December 31, 2022
Held for trading:		
Derivative financial instruments not designated in a hedging relationship		
- Forward foreign exchange contracts	\$ -	\$ 4,339
- Foreign exchange swap contracts	14	67
Designated as at fair value through profit or loss:		
- Convertible bonds - put option	1,556	16,730
Total	\$ 1,570	\$ 21,136

(15) Bonds payable

	December 31, 2023	December 31, 2022
Overseas unsecured convertible bonds payable	\$ 1,891,501	\$ 1,873,400
Less: Current portion	(1,891,501)	-
Net	\$ -	\$ 1,873,400

Overseas unsecured convertible bonds payable

	December 31, 2023	December 31, 2022
Liability component:		
Overseas unsecured convertible bonds payable - principal amount	\$ 1,945,300	\$ 1,945,300
Overseas unsecured convertible bonds payable - discounts	(53,799)	(71,900)
Subtotal	\$ 1,891,501	\$ 1,873,400
Less: Current portion	(1,891,501)	-
Net	\$ -	\$ 1,873,400
Embedded derivative financial instruments	\$ (1,556)	\$ (16,730)
Equity component	\$ 70,203	\$ 70,203

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

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

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

Period: November 30, 2021 to November 30, 2026

Major redemption and put option clauses:

- A. The bonds are converted into U.S. dollars equivalent to the New Taiwan dollar amount using a fixed exchange rate for the repayment, repurchase and redemption of the bonds. The fixed exchange rate is determined with reference to the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m. on the pricing date (i.e., the Fixed Exchange Rate is US\$1.00 = NT\$27.79).
- B. After three months of the issuance and prior to the maturity date, the Company may redeem the outstanding convertible bonds in cash at the "Early Redemption Amount" when the closing price (converted into U.S. dollars at the applicable prevailing exchange rate) of the Company's common stocks listed on the TWSE is at least 130% of the total amount determined by multiplying the Early Redemption Amount by the conversion price (translated into U.S. dollars at the Fixed Exchange Rate determined on the pricing date) and divided by the principal amount of the bonds for a period of thirty consecutive trading days. The Early Redemption Amount is converted to New Taiwan dollars using the Fixed Exchange Rate, and the New Taiwan dollars amount will be converted into U.S. dollars using the prevailing exchange rate (the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m.) for payments in U.S. dollars.
- C. When more than 90 percent of the bonds have been redeemed, converted, repurchased and cancelled, the Company may redeem the outstanding bonds early, in whole but not in part, at the "Early Redemption Amount."
- 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."

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

- G. Upon the occurrence of a change of control as defined in the bond indenture, the bondholders may request the Company to redeem the corporate bonds, in whole but not in part, at the “Early Redemption Price.”

Terms of conversion:

- A. Underlying securities: Common stocks of the Company
- B. Conversion period: Bondholders have the right to convert their bonds into the Company’s common stocks from the day immediately following the 90-day period from the issue date to (1) 10 days prior to the maturity date or (2) no later than five business days prior to the holder’s put date or the date when the Company exercises early redemption.
- C. Conversion price and its adjustments: The conversion price is set at NT\$53.5 per share at the time of issuance. When the conversion price needs to be adjusted due to circumstances set out in the bond indenture, it shall be adjusted according to formula in the indenture. The conversion price as of December 31, 2023 was NT\$47.61 per share.
- D. Redemption on maturity date: Upon maturity, the bonds will be redeemed at 100% of the outstanding principal amount (i.e., the “Redemption Amount at Maturity”). The Redemption Amount at Maturity is converted to New Taiwan dollars using the Fixed Exchange Rate, and the New Taiwan dollars amount will be converted into U.S. dollars using the prevailing exchange rate (the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m.) for payments in U.S. dollars.

(16) Long-term loans

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

Creditor	2023.12.31	Contract Term and Repayment
Export-Import Bank of the Republic of China - credit loan	\$ 200,000	2023.8.4 - 2029.8.4, non-revolving for six years from the initial drawdown date, principal to be repaid in 8 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Bank of Ningbo - credit loan	13,000	2023.8.23 - 2024.9.22, principal to be repaid in 3 equal installments with monthly interest payment
Taishin International Bank - secured loan	122,550	2020.2.26 - 2025.2.25, principal to be repaid in the remaining term with monthly interest payment
E.Sun Commercial Bank - secured loan	41,250	2022.3.25 - 2029.3.25, principal to be repaid in equal monthly installments with monthly interest payment
Maxwealth Financial Leasing Co., Ltd. - secured loan	5,181	2023.8.2 - 2025.8.1, principal to be repaid in equal monthly installments with monthly interest payment
Subtotal	381,981	
Less: Current portion	<u>(36,457)</u>	
Total	<u>\$ 345,524</u>	

The subsidiary Koatech Technology Corporation entered into a machinery and equipment sale-leaseback financing arrangement with Maxwealth Financial Leasing Co., Ltd. for a term of two years. Under the agreement, machinery and equipment are pledged as collateral. At the end of the term, the ownership of such machinery and equipment would belong to Koatech Technology Corporation. Please refer to Note 8 for machinery and equipment pledged.

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

Creditor	2022.12.31	Contract Term and Repayment
Export-Import Bank of the Republic of China - credit loan	\$ 75,000	2019.6.28 - 2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Taipei Fubon Bank - credit loan	127,000	2021.9.6 - 2026.9.6, non-revolving for 60 months from the initial drawdown date, principal to be repaid in 12 equal quarterly installments after the grace period of 24 months with monthly interest payment
Taishin International Bank - secured loan	123,370	2020.2.26 - 2025.2.25, principal to be repaid in the remaining term with monthly interest payment
E.Sun Commercial Bank - secured loan	49,106	2022.3.25 - 2029.3.25, principal to be repaid in equal monthly installments with monthly interest payment
Subtotal	374,476	
Less: Current portion	(69,260)	
Total	<u>\$ 305,216</u>	

- A. The interest rate ranges of loans were 1.7165% to 3.85% and 1.23% to 1.8% as of December 31, 2023 and 2022, 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 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.

(17) Post-employment benefit plans

A. Defined contribution plan

Expenses under the defined contribution plan for the years ended December 31, 2023 and 2022 were NT\$34,232 thousand and NT\$35,327 thousand, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan were as follows:

Financial Statement Account	Years Ended December 31	
	2023	2022
Operating costs	\$ 3,488	\$ 3,943
Sales and marketing expenses	280	223
General and administrative expenses	2,765	2,786
Research and development expenses	1,653	1,804
Total	<u>\$ 8,186</u>	<u>\$ 8,756</u>

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

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

	Years Ended December 31	
	2023	2022
Beginning balance	\$ 80,483	\$ 136,023
Actuarial gain or loss	(28,134)	(55,540)
Ending balance	\$ 52,349	\$ 80,483

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

	Years Ended December 31	
	2023	2022
Present value of defined benefit obligation	\$ 197,405	\$ 219,323
Fair value of plan assets	(64,763)	(40,176)
Funded status	132,642	179,147
Net defined benefit liabilities	\$ 132,642	\$ 179,147

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

	Years Ended December 31	
	2023	2022
Beginning balance	\$ 219,323	\$ 267,236
Current service cost	5,590	6,943
Interest cost	3,070	1,844
Actuarial gain or loss	(28,094)	(54,078)
Benefits paid	(2,484)	(2,622)
Ending balance	\$ 197,405	\$ 219,323

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

	Years Ended December 31	
	2023	2022
Beginning balance	\$ 40,176	\$ 18,547
Return on plan assets	563	128
Contributions from employer	26,468	22,661
Actuarial gain or loss	40	1,462
Benefits paid	(2,484)	(2,622)
Ending balance	\$ 64,763	\$ 40,176

- G. As of December 31, 2023, the Group expected to make contributions of NT\$6,612 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, 2023	December 31, 2022
Cash	100%	100%



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

The Company's actual returns on plan assets were NT\$602 thousand and NT\$1,590 thousand for the years ended December 31, 2023 and 2022, 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, 2023	December 31, 2022
Discount rate	1.29%	1.40%
Expected rate of return on plan assets	1.29%	1.40%
Expected rate of salary increases	4.00%	4.50%

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

	Years Ended December 31			
	2023		2022	
	0.5% Increase	0.5% Decrease	0.5% Increase	0.5% Decrease
Effect on aggregate of current service cost and interest cost	\$ 406	\$ (522)	\$ 566	\$ (726)
Effect on present value of defined benefit obligation	(13,452)	14,623	(16,170)	17,673

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

	Years Ended December 31	
	2023	2022
Present value of defined benefit obligation, ending balance	\$ 197,405	\$ 219,323
Fair value of plan assets, ending balance	(64,763)	(40,176)
Deficit of plan, ending balance	\$ 132,642	\$ 179,147
Experience adjustments on plan liabilities	\$ (17,238)	\$ (14,355)
Experience adjustments on plan assets	\$ (40)	\$ (1,462)

(18) Equity

A. Capital

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

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

B. Capital surplus

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 541,007	\$ 666,479
Premium from merger	262,500	262,500
Donated assets	1,970	1,970
Treasury stock transactions	27,280	27,280
Due to recognition of equity component of convertible bonds - stock options	70,203	70,203
Employee stock options	11,033	-
Others	112,204	112,134
Total	\$ 1,026,197	\$ 1,140,566

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

C. Appropriation of profits and dividend policies

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

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

- (a) Taxes and dues.
- (b) Deficit compensation.
- (c) 10% of net profit as legal reserves. However, this shall not apply when the accumulated legal reserve has equaled total capital.
- (d) Special reserve appropriated or reversed as stipulated by relevant laws and regulations or the competent securities authorities.
- (e) For the remaining profits, if any, the Board of Directors shall draft a proposal for the distribution of earnings. Regarding earnings distributed by an issuance of new shares, the proposal shall be approved by the shareholders' meeting, and for earnings distributed in the form of cash, the proposal shall be submitted to the Board of Directors' meeting for resolution.

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

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

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

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

- (a) Taxes and dues.
- (b) Deficit compensation.
- (c) 10% of net profit as legal reserves. However, this shall not apply when the accumulated legal reserve has equaled total paid-in capital.
- (d) Special reserve appropriated or reversed as stipulated by relevant laws and regulations or the competent securities authorities.
- (e) For the remaining profits, if any, the Board of Directors shall draft a proposal for the distribution of bonus to shareholders and submit it to the shareholders' meeting for resolution.

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

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

As of December 31, 2023 and 2022, special reserve set aside for the first-time adoption of IFRS amounted to NT\$75,546 thousand.

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

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

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

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

Information about the appropriation of 2023 earnings proposed in the Board of Directors' meeting on February 20, 2024 was as follows:

	Appropriation of Earnings	Dividend per Share (NT\$)
	2023	2023
Legal reserve	\$ 44,548	\$ -
Special reserve reversed	(145,484 )	-
Cash dividends (Note)	209,120	1.00
Stock dividends	104,560	0.50

Note: The Board of Directors, authorized by the Articles of Incorporation, approved the 2023 cash dividend distribution on February 20, 2024.

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	
	2023	2022
Beginning balance	\$ 144,043	\$ 148,097
Net loss attributable to NCIs	(62,251 )	(8,770 )
Other comprehensive income attributable to NCIs:		
Exchange differences arising on translation of foreign operations	(467 )	265
Others	-	4,451
Ending balance	\$ 81,325	\$ 144,043

(19) Share-based payment plan

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

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

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

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

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

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

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

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

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

For share-based payment plan granted in the year ended December 31, 2023, assumptions used in the pricing model for estimating the fair value of options on the grant date were as follows:

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

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

	Year Ended December 31, 2023			
	No. of Options Outstanding (in thousands)	Weighted Average Exercise Price (NT\$)	Range of Exercise Price (NT\$)	Weighted Average Remaining Life (Year)
Outstanding at beginning of period	-	\$ -		
Granted	3,000	42.3		
Forfeited	(120)	39.9		
Exercised	-	-		
Expired	-	-		
Outstanding at end of period	2,880	39.9	\$ 39.9	4.08
Exercisable at end of period	-	-		

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

	Year Ended December 31, 2023
Expenses recognized for the share-based payment transactions (equity-settled share-based payments)	\$ 11,033

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

(20) Operating revenue

	Years Ended December 31		
	2023	2022	
Revenue from sale of goods	\$ 8,150,519	\$ 8,721,875	
Contract balances:			
	December 31,	December 31,	December 31,
Contract liabilities - current	2023	2022	2021
Sale of goods	\$ 1,473	\$ 758	\$ 1,853

Beginning balance of contract liabilities reclassified to revenue amounted to NT\$758 thousand and NT\$1,853 thousand for the years ended December 31, 2023 and 2022, respectively.

(21) Expected credit loss

	Years Ended December 31	
	2023	2022
Operating expenses - expected credit loss		
Accounts receivable	\$ 2,962	\$ 6,068

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, 2023 and 2022 was as follows:

December 31, 2023

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 3,735,805	\$ 96,216	\$ 7,722	\$ 27,864	\$ 3,867,607
Loss ratio	0%~1%	3%~10%	20%~50%	50%~100%	
Lifetime expected credit losses	17,164	5,996	1,544	26,886	51,590
Subtotal	\$ 3,718,641	\$ 90,220	\$ 6,178	\$ 978	\$ 3,816,017

December 31, 2022

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

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

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

Movements in the loss allowance for receivables in the years ended December 31, 2023 and 2022 were as follows:

	<u>Receivables</u>
Balance as of January 1, 2023	\$ 49,836
Appropriated in the current period	2,962
Write off	(513)
Effect of exchange rate changes	(695)
Balance as of December 31, 2023	<u>\$ 51,590</u>

	<u>Receivables</u>
Balance as of January 1, 2022	\$ 43,475
Appropriated in the current period	6,068
Write off	(227)
Effect of exchange rate changes	520
Balance as of December 31, 2022	<u>\$ 49,836</u>

(22) Leases

A. The Group being a lessee

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

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

(a) Amounts recognized in the balance sheets

i. Right-of-use assets

Carrying amount of right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	\$ 325,516	\$ 335,939
Buildings	14,600	23,595
Transportation equipment	23,052	21,914
Total	<u>\$ 363,168</u>	<u>\$ 381,448</u>

The Group's right-of-use assets increased by NT\$12,851 thousand and NT\$33,642 thousand for the years ended December 31, 2023 and 2022, respectively.

ii. Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	\$ 19,775	\$ 21,926
Non-current	247,359	259,844
Lease liabilities	<u>\$ 267,134</u>	<u>\$ 281,770</u>

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

Please refer to Note 6(24)D Finance costs for details on interest expenses of lease liabilities for the years ended December 31, 2023 and 2022 and Note 12(5) Liquidity risk management for the maturity analysis on lease liabilities as of December 31, 2023 and 2022.

- (b) Amounts recognized in the statements of comprehensive income  
Depreciation of right-of-use assets

	Years Ended December 31	
	2023	2022
Land	\$ 8,493	\$ 8,519
Buildings	10,330	6,284
Transportation equipment	9,943	8,799
Total	\$ 28,766	\$ 23,602

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

	Years Ended December 31	
	2023	2022
Expense of short-term leases	\$ 90,214	\$ 90,983
Expense of leases of low value assets (excluding short-term leases of low value assets)	4,001	5,730

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

The Group's cash outflows from leases amounted to NT\$126,596 thousand and NT\$120,246 thousand for the years ended December 31, 2023 and 2022, respectively.

- (e) Other information associated with leasing activities

Options to extend or terminate the lease

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



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

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

Nature \ Function	Years Ended December 31					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	496,616	458,790	955,406	555,357	506,632	1,061,989
Labor and health insurance	57,227	40,610	97,837	58,601	39,045	97,646
Pension	24,278	18,140	42,418	25,633	18,450	44,083
Remuneration to directors	-	11,687	11,687	-	20,033	20,033
Other employee benefits expense	56,595	33,015	89,610	59,131	33,177	92,308
Depreciation	357,727	78,227	435,954	343,431	65,185	408,616
Amortization	3,328	19,923	23,251	2,828	20,456	23,284

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 2023 and 2022 compensation to employees and remuneration to directors resolved in the Board of Directors' meetings on February 20, 2024 and February 22, 2023, respectively, was as follows:

	Years Ended December 31	
	2023	2022
Compensation to employees	\$ 41,163	\$ 71,668
Remuneration to directors	11,256	19,597

The difference between 2023 compensation to employees and remuneration to directors resolved in the Board of Directors' meeting in 2024 and the amount accrued was recognized in the profit or loss of the following year.

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

The 2022 compensation to employees and remuneration to directors reported in the shareholders' meeting were not significantly different from the amounts resolved in the Board of Directors' meeting on February 22, 2023 and the amounts recognized as expenses in the financial statements.

(24) Non-operating income and expenses

A. Interest income

	Years Ended December 31	
	2023	2022
Interest income	\$ 27,568	\$ 15,275

B. Other income

	Years Ended December 31	
	2023	2022
Other income	\$ 47,126	\$ 41,199

C. Other gains and losses

	Years Ended December 31	
	2023	2022
(Loss) gain on disposal of property, plant and equipment	\$ (308)	\$ 427
Foreign exchange (loss) gain, net	(40,023)	255,098
Gain (loss) on financial assets (liabilities) at fair value through profit or loss, net	5,345	(71,326)
Gain on disposal of investments accounted for using the equity method	807	39,846
Other losses	(2,176)	(14,476)
Total	\$ (36,355)	\$ 209,569

D. Finance costs

	Years Ended December 31	
	2023	2022
Interest on bank loans	\$ (9,374)	\$ (12,045)
Interest on lease liabilities	(4,981)	(5,233)
Interest on bonds payable	(18,101)	(17,928)
Total	\$ (32,456)	\$ (35,206)

E. Components of other comprehensive income

For the year ended December 31, 2023

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	\$ 28,134	\$ -	\$ 28,134	\$ (5,626)	\$ 22,508

(Continued)

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

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	\$ 170,972	\$ -	\$ 170,972	\$ -	\$ 170,972
Items that may be reclassified subsequently to profit or loss: Exchange differences arising on translation of foreign operations	(32,443)	-	(32,443)	6,488	(25,955)
Total	<u>\$ 166,663</u>	<u>\$ -</u>	<u>\$ 166,663</u>	<u>\$ 862</u>	<u>\$ 167,525</u>

(Concluded)

For the year ended December 31, 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss: Remeasurement of defined benefit plan	\$ 55,540	\$ -	\$ 55,540	\$ (11,108)	\$ 44,432
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(116,948)	-	(116,948)	-	(116,948)
Items that may be reclassified subsequently to profit or loss: Exchange differences arising on translation of foreign operations	53,809	-	53,809	(10,762)	43,047
Total	<u>\$ (7,599)</u>	<u>\$ -</u>	<u>\$ (7,599)</u>	<u>\$ (21,870)</u>	<u>\$ (29,469)</u>

(25) Income tax

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

Income tax recognized in profit or loss

	Years Ended December 31	
	2023	2022
Current income tax expense (benefit):		
Current income tax payable	\$ 117,299	\$ 189,172
Income tax adjustments on prior years	(27,558)	716
Effect of exchange rate changes	510	21
Deferred income tax expense (benefit):		
Income tax expense (benefit) relating to origination and reversal of temporary differences	31,345	(4,309)
Income tax expense	<u>\$ 121,596</u>	<u>\$ 185,600</u>

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

Income tax recognized in other comprehensive income

	Years Ended December 31	
	2023	2022
Deferred income tax expense:		
Remeasurement of defined benefit plan	\$ 5,626	\$ 11,108
Exchange differences arising on translation of foreign operations	(6,488)	10,762
Income tax relating to components of other comprehensive income	<u>\$ (862)</u>	<u>\$ 21,870</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	
	2023	2022
Income before tax from continuing operations	<u>\$ 482,319</u>	<u>\$ 877,313</u>
Income tax expense at the statutory rate of the parent company	\$ 96,464	\$ 175,463
Tax effects of tax-exempt income	(2,876)	(5,633)
Tax effects of non-deductible expenses for taxable income	2,991	4,858
Tax effects of deferred income tax assets/liabilities	31,345	(4,309)
Income tax adjustments on prior years	(27,558)	716
Tax effects of other tax adjustments	21,230	14,505
Income tax expense recognized in profit or loss	<u>\$ 121,596</u>	<u>\$ 185,600</u>

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

For the year ended December 31, 2023

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income		Recognized in Equity	Ending Balance
			Comprehensive Income	Recognized in Equity		
Temporary differences						
Exchange gain or loss	\$ (5,210)	\$ 9,495	\$ -	\$ -	\$ -	\$ 4,285
Allowance for inventory valuation and obsolescence loss	50,283	8,507	-	-	-	58,790
Gain (loss) on investments accounted for using the equity method	(81,071)	4,942	6,488	-	-	(69,641)
Unrealized intra-group profits and losses	4,490	(885)	-	-	-	3,605
Impairment of assets	1,364	(6)	-	-	-	1,358
Allowance for doubtful accounts	3,657	1,329	-	-	-	4,986
Net defined benefit liabilities	35,829	(3,675)	(5,626)	-	-	26,528
Others	57,875	(48,813)	-	-	-	9,062
Deferred income tax benefit (expense)		<u>\$ (29,106)</u>	<u>\$ 862</u>	<u>\$ -</u>		
Net deferred income tax assets (liabilities)	<u>\$ 67,217</u>					<u>\$ 38,973</u>

(Continued)

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

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized in Equity	Ending Balance
Reflected in balance sheet as follows:					
Deferred income tax assets	\$ 175,599				\$ 157,049
Deferred income tax liabilities	\$ (108,382)				\$ (118,076)
					(Concluded)

For the year ended December 31, 2022

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized in Equity	Ending Balance
Temporary differences					
Exchange gain or loss	\$ 14,725	\$ (19,935)	\$ -	\$ -	\$ (5,210)
Allowance for inventory valuation and obsolescence loss	35,261	15,022	-	-	50,283
Gain (loss) on investments accounted for using the equity method	(76,412)	6,103	(10,762)	-	(81,071)
Unrealized intra-group profits and losses	5,791	(1,301)	-	-	4,490
Impairment of assets	1,370	(6)	-	-	1,364
Allowance for doubtful accounts	3,643	14	-	-	3,657
Net defined benefit liabilities	49,738	(2,801)	(11,108)	-	35,829
Others	49,621	8,254	-	-	57,875
Deferred income tax benefit (expense)		\$ 5,350	\$ (21,870)	\$ -	
Net deferred income tax assets (liabilities)	\$ 83,737				\$ 67,217
Reflected in balance sheet as follows:					
Deferred income tax assets	\$ 195,565				\$ 175,599
Deferred income tax liabilities	\$ (111,828)				\$ (108,382)

D. Unrecognized deferred income tax assets:

As of December 31, 2023 and 2022, deferred income tax assets that had not been recognized by the Group amounted to NT\$58,220 thousand and NT\$34,059 thousand, respectively.

E. The assessment of income tax returns:

As of December 31, 2023, the assessment of the Group's income tax returns in ROC was as follows:

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

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

(26) Earnings per share (EPS)

	Year Ended December 31, 2023		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the Company	\$ 422,974	209,120	<u>\$ 2.02</u>
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	14,481	40,859	
Employee compensation - stock	-	839	
Employee stock options	-	2,510	
Net income attributable to common shareholders of the Company and effect of potential common stocks	<u>\$ 437,455</u>	<u>253,328</u>	<u>\$ 1.73</u>
	Year Ended December 31, 2022		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the Company	\$ 700,483	209,120	<u>\$ 3.35</u>
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	14,342	38,460	
Employee compensation - stock	-	1,740	
Net income attributable to common shareholders of the Company and effect of potential common stocks	<u>\$ 714,825</u>	<u>249,320</u>	<u>\$ 2.87</u>

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) (Note)	An associate of the Group

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

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

(2) Significant transactions with related parties

A. Prepayments

	December 31, 2023	December 31, 2022
Innatech	\$ 468	\$ 150
SINYA Digital	284	-
SINYA Network	-	90
Total	<u>\$ 752</u>	<u>\$ 240</u>

B. Other payables - related parties

	December 31, 2023	December 31, 2022
Innatech	\$ 431	\$ 2,877
SINYA Digital	1,409	941
Total	<u>\$ 1,840</u>	<u>\$ 3,818</u>

C. Property transactions

Acquisition of property, plant and equipment

	Years Ended December 31	
	2023	2022
Innatech	\$ 2,300	\$ 1,358
SINYA Digital	-	189
SINYA Network	-	2,050
Total	<u>\$ 2,300</u>	<u>\$ 3,597</u>

Acquisition of intangible assets

	Years Ended December 31	
	2023	2022
Innatech	\$ 1,627	\$ 1,361

D. Others

Rental income

	Years Ended December 31	
	2023	2022
Geckos	\$ -	\$ 1,250

Rents were determined through negotiation based on market prices. The collection terms 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	
	2023	2022
Innatech	\$ 3,257	\$ 2,984
SINYA Digital	1,083	1,162
SINYA Network	-	222
Total	<u>\$ 4,340</u>	<u>\$ 4,368</u>

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

E. Compensation to key management of the Group

	Years Ended December 31	
	2023	2022
Short-term employee benefits	\$ 112,316	\$ 80,401
Post-employment benefits	1,874	712
Total	\$ 114,190	\$ 81,113

8. Pledged Assets

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

	Carrying Amount		Purpose of Pledge
	December 31, 2023	December 31, 2022	
Time deposits (Note)	\$ 42,827	\$ 43,147	Customs guarantee
Land	100,843	100,843	Long-term loans
Buildings	57,788	95,978	Letter of credit, short-term credit facilities and long-term loans
Machinery and equipment	9,824	-	Long-term loans
Total	\$ 211,282	\$ 239,968	

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

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

Details of the Group's unused letters of credit as of December 31, 2023 were as follows:

	L / C Balance	
USD	US\$	5,875 thousand
JPY	JPY	74,000 thousand

10. Significant Disaster Loss

None.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2023	December 31, 2022
Financial assets at fair value through profit or loss	\$ 32,713	\$ 26,925
Financial assets at fair value through other comprehensive income	426,661	255,689
Financial assets at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	1,964,549	2,263,591
Financial assets at amortized cost	-	30,743
Receivables	3,868,930	3,730,180
Other financial assets - current	42,827	43,147



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

Financial liabilities

	December 31, 2023	December 31, 2022
Financial liabilities at fair value through profit or loss:		
Held for trading	\$ 14	\$ 4,406
Designated as at fair value through profit or loss	1,556	16,730
Financial liabilities at amortized cost:		
Short-term loans	218,859	255,000
Payables	1,713,004	1,422,413
Bonds payable (including current portion)	1,891,501	1,873,400
Long-term loans (including current portion)	381,981	374,476
Lease liabilities (current and non-current)	267,134	281,770

(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 rules at all times.

(3) Market risk

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

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

A. Foreign currency risk

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

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

The foreign currency sensitivity analysis focusing on the impact of foreign exchange rate fluctuations on the Group's profit or loss and equity is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The

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

Group's foreign currency risk is mainly related to the volatility in the exchange rates of U.S. dollars and Chinese Yuan.

B. Interest rate risk

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

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

C. Equity price risk

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

A 5% increase/decrease in the prices of listed companies' stocks classified as at fair value through profit or loss could cause the profit or loss for the years ended December 31, 2023 and 2022 to increase/decrease by NT\$1,388 thousand and NT\$1,337 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, 2023 and 2022 to increase/decrease by NT\$21,333 thousand and NT\$12,784 thousand, respectively.

D. Pre-tax sensitivity analysis was as follows:

For the year ended December 31, 2023

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$16,384 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ NT\$ 8,027 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- NT\$ 1,364 thousand

For the year ended December 31, 2022

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$21,373 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ NT\$ 6,559 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- NT\$ 1,665 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).

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

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

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

(5) Liquidity risk management

The Group maintains its financial flexibility through the use of cash and cash equivalents, highly-liquid marketable securities, bank loans, 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

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<u>December 31, 2023</u>					
Borrowings	\$ 265,365	\$ 185,667	\$ 119,289	\$ 52,266	\$ 622,587
Payables	1,713,004	-	-	-	1,713,004
Convertible bonds	1,945,300	-	-	-	1,945,300
Lease liabilities	24,862	35,959	20,328	270,937	352,086
<u>December 31, 2022</u>					
Borrowings	\$ 319,187	\$ 257,059	\$ 58,915	\$ 9,936	\$ 645,097
Payables	1,422,413	-	-	-	1,422,413
Convertible bonds	-	1,945,300	-	-	1,945,300
Lease liabilities	22,692	29,553	19,387	279,581	351,213

Derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<u>December 31, 2023</u>					
Inflows	\$ 25,880	\$ -	\$ -	\$ -	\$ 25,880
Outflows	26,000	-	-	-	26,000
Net	<u>\$ (120)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (120)</u>
<u>December 31, 2022</u>					
Inflows	\$ 670,514	\$ -	\$ -	\$ -	\$ 670,514
Outflows	678,088	-	-	-	678,088
Net	<u>\$ (7,574)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,574)</u>

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

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2023:

	Short-term Loans	Long-term Loans	Lease Liabilities	Guarantee Deposits Received	Bonds Payable	Total Liabilities from Financing Activities
As of January 1, 2023	\$ 255,000	\$ 374,476	\$ 281,770	\$ 255	\$ 1,873,400	\$ 2,784,901
Cash flows	(36,141)	7,505	(32,381)	15,744	-	(45,273)
Non-cash movements	-	-	17,745	-	18,101	35,846
As of December 31, 2023	<u>\$ 218,859</u>	<u>\$ 381,981</u>	<u>\$ 267,134</u>	<u>\$ 15,999</u>	<u>\$ 1,891,501</u>	<u>\$ 2,775,474</u>

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

	Short-term Loans	Long-term Loans	Lease Liabilities	Guarantee Deposits Received	Bonds Payable	Total Liabilities from Financing Activities
As of January 1, 2022	\$ 790,000	\$ 809,720	\$ 267,044	\$ 255	\$ 1,855,472	\$ 3,722,491
Cash flows	(535,000)	(435,244)	(23,533)	-	-	(993,777)
Non-cash movements	-	-	38,259	-	17,928	56,187
As of December 31, 2022	<u>\$ 255,000</u>	<u>\$ 374,476</u>	<u>\$ 281,770</u>	<u>\$ 255</u>	<u>\$ 1,873,400</u>	<u>\$ 2,784,901</u>

(7) Fair values of financial instruments

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

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

- (a) The carrying amount of cash and cash equivalents, receivables, short-term loans, payables and other current liabilities approximates their fair value due to short maturity terms.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on quoted market prices (e.g., listed equity securities).
- (c) For bank loans and bonds payable with no quoted market price, the fair value is determined by the quoted price of the counterparty or valuation techniques. The latter is based on the discounted cash flow analysis with assumptions of interest rates and discount rates primarily founded on relevant information of similar instruments.
- (d) In terms of derivative financial instruments with no quoted market price, the fair value of non-option derivatives is determined by the quoted price of the counterparty or the discounted cash flow analysis using the applicable yield curve for the contract duration. As for option derivatives, the quoted price of the counterparty or the appropriate option pricing models (e.g., the Black-Sholes model or the binomial tree valuation model of convertible bonds) are adopted to calculate the fair value.

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

B. Fair value of financial instruments measured at amortized cost

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

C. Information on the fair value hierarchy of financial instruments

Please refer to Note 12(9) for details.

(8) Derivative instruments

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

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

Currency	Contract Period	Contract Amount (in thousands)
<u>December 31, 2023</u>		
Sell RMB/Buy NTD	2023.09~2024.05	RMB 90,000/NT\$ 392,334
Sell USD/Buy NTD	2023.11~2024.01	US\$ 1,000/NT\$ 31,345
<u>December 31, 2022</u>		
Sell RMB/Buy NTD	2022.08~2023.04	RMB 78,000/NT\$ 340,076
Sell USD/Buy NTD	2022.12~2023.03	US\$ 10,000/NT\$ 304,154

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, 2023</u>		
Sell RMB/Buy NTD	2023.08~2024.04	RMB 6,000/NT\$ 25,880
<u>December 31, 2022</u>		
Sell RMB/Buy NTD	2022.12~2023.04	RMB 6,000/NT\$ 26,284

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

Embedded derivative instruments

Embedded derivative instruments identified from convertible bonds were separated from the host contract and measured at fair value through profit or loss. Please refer to Note 6(15) for details on the relevant contract.

(9) Fair value hierarchy

A. Definition of fair value hierarchy

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

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

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

B. Hierarchy of fair value measurement

The Group does not have assets that are measured at fair value on a non-recurring basis. The fair value hierarchy of assets and liabilities measured on 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, 2023</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 4,867	\$ -	\$ 4,867
Foreign exchange swap contracts	-	92	-	92
Stocks	27,754	-	-	27,754
Financial assets at fair value through other comprehensive income	426,661	-	-	426,661
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Foreign exchange swap contracts	-	14	-	14
Embedded derivative instruments	-	-	1,556	1,556
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2022</u>				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 189	\$ -	\$ 189
Stocks	26,736	-	-	26,736
Financial assets at fair value through other comprehensive income	255,689	-	-	255,689
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	4,339	-	4,339
Foreign exchange swap contracts	-	67	-	67
Embedded derivative instruments	-	-	16,730	16,730

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

C. Transfers between Level 1 and Level 2 fair value hierarchy

For the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value hierarchy for assets and liabilities measured on a recurring basis.

D. Movements in Level 3 fair value hierarchy for items measured on a recurring basis

Reconciliation of Level 3 fair value hierarchy for assets and liabilities measured on a recurring basis was as follows:

	Liabilities At Fair Value through Profit or Loss
	Derivatives
January 1, 2023	\$ 16,730
Gains or losses recognized in 2023	
Recognized in profit or loss (under “other gains and losses”)	(15,174)
December 31, 2023	\$ 1,556
January 1, 2022	\$ 5,836
Gains or losses recognized in 2022	
Recognized in profit or loss (under “other gains and losses”)	10,894
December 31, 2022	\$ 16,730

E. Significant unobservable inputs for Level 3 fair value measurement

Significant unobservable inputs for recurring Level 3 fair value measurements of assets were as follows:

	Valuation Technique	Significant Unobservable Input	Quantitative Information	Relationship between Inputs and Fair Value	Sensitivity of Inputs to Fair Value
<u>December 31, 2023</u>					
Financial liabilities:					
At fair value through profit or loss					
Embedded derivative instruments	Binomial tree valuation model of convertible bonds	Volatility	15.76%	The higher the volatility, the higher the fair value estimates	A 5% increase/decrease in volatility could cause the profit or loss of the Group to increase/decrease by NT\$195 thousand
	Valuation Technique	Significant Unobservable Input	Quantitative Information	Relationship between Inputs and Fair Value	Sensitivity of Inputs to Fair Value
<u>December 31, 2022</u>					
Financial liabilities:					
At fair value through profit or loss					
Embedded derivative instruments	Binomial tree valuation model of convertible bonds	Volatility	18.45%	The higher the volatility, the higher the fair value estimates	A 5% increase/decrease in volatility could cause the profit or loss of the Group to increase by NT\$3,307 thousand /decrease by NT\$6,225 thousand

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

F. Valuation process for Level 3 fair value measurement

The valuation process for Level 3 fair value measurement involves having the finance department carries out independent fair value verification for financial instruments. Data from independent sources are used to deliver outcomes that reflect the market and are representative of the executable prices. Data sources are examined for independence, reliability and consistency with other resources while inputs and information for the valuation model are remeasured or reassessed periodically along with any other necessary fair value adjustments to ensure the measurements are reasonable.

(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, 2023			December 31, 2022		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 82,763	30.750	\$2,544,948	\$ 85,105	30.743	\$2,616,397
RMB	190,299	4.3333	824,621	153,825	4.4126	678,770
JPY	81,406	0.2175	17,706	137,808	0.2326	32,054
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 29,480	30.750	\$ 906,512	\$ 15,577	30.743	\$ 478,896
RMB	4,920	4.3333	21,321	5,181	4.4126	22,863
JPY	141,825	0.2175	30,847	116,597	0.2326	27,120

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, 2023 and 2022, the Group's foreign exchange gain (loss) amounted to NT\$(40,023) thousand and NT\$255,098 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 payments to shareholders, return capital to shareholders or issue new shares.



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

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, 2023 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.
  - D. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital: None.
  - E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital: None.
  - F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital: None.
  - G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital: Please refer to Table 4.
  - H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital: Please refer to Table 5.
  - I. Direct or indirect significant influence or control over the investees (excluding investments in mainland China): Please refer to Table 6.
  - J. Derivative financial instrument transactions: Please refer to Note 12.
  - K. Others: intercompany relationships and significant intercompany transactions: Please refer to Table 8.
- (2) Information on investments in mainland China: Please refer to Table 7.
- (3) Information on major shareholders: Please refer to Table 9.

14. Operating Segment

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

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

The overseas segment owns manufacturing and sales functions.

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

Management monitors the operating results of its business units separately for the purpose of decision-making on resource allocation and performance assessment. Segment performance is 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.

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

(1) Segment income (loss)

For the year ended December 31, 2023

	General Management	Overseas	Adjustment and Elimination (Note)	Total
Revenue				
External customer	\$ 5,681,062	\$ 2,469,457	\$ -	\$ 8,150,519
Inter-segment	1,636,704	1,059,672	(2,696,376)	-
Total revenue	<u>\$ 7,317,766</u>	<u>\$ 3,529,129</u>	<u>\$ (2,696,376)</u>	<u>\$ 8,150,519</u>
Segment income (loss) (before income tax)	<u>\$ 499,243</u>	<u>\$ (42,035)</u>	<u>\$ 25,110</u>	<u>\$ 482,318</u>

Note: Inter-segment revenues were eliminated upon consolidation.

For the year ended December 31, 2022

	General Management	Overseas	Adjustment and Elimination (Note)	Total
Revenue				
External customer	\$ 6,261,442	\$ 2,460,453	\$ -	\$ 8,721,875
Inter-segment	1,443,118	1,052,669	(2,495,787)	-
Total revenue	<u>\$ 7,704,540</u>	<u>\$ 3,513,122</u>	<u>\$ (2,495,787)</u>	<u>\$ 8,721,875</u>
Segment income (loss) (before income tax)	<u>\$ 850,812</u>	<u>\$ (19,844)</u>	<u>\$ 46,345</u>	<u>\$ 877,313</u>

Note: Inter-segment revenues were eliminated upon consolidation.

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

	General Management	Overseas	Adjustment and Elimination	Total
As of December 31, 2023	<u>\$ 9,209,339</u>	<u>\$ 5,990,101</u>	<u>\$ (2,167,978)</u>	<u>\$ 13,031,462</u>
As of December 31, 2022	<u>\$ 9,294,876</u>	<u>\$ 5,304,980</u>	<u>\$ (1,752,329)</u>	<u>\$ 12,847,527</u>

(2) Geographic information

A. Revenue from external customers:

Region	Years Ended December 31	
	2023	2022
Taiwan	\$ 2,609,349	\$ 2,901,704
Mainland China	5,363,242	5,681,027
Others	177,928	139,144
Total	<u>\$ 8,150,519</u>	<u>\$ 8,721,875</u>

Revenue was categorized based on countries where customers are located.

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

B. Non-current assets:

Region	December 31, 2023	December 31, 2022
Taiwan	\$ 4,651,513	\$ 3,951,122
Mainland China	1,005,263	983,285
Total	<u>\$ 5,656,776</u>	<u>\$ 4,934,407</u>

(3) Major customers

Customers accounted for at least 10% of the Group's operating revenue for the years ended December 31, 2023 and 2022 were as follows:

Name	Years Ended December 31	
	2023	2022
Customer A	\$ 1,150,996	\$ 1,188,642
Customer B	901,758	916,436
Customer C	817,520	870,383

TABLE 1: FINANCING PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financing Company	Borrower	Financial Statement Account (Note 2)	Whether A Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Note 10)	Amount Actually Drawn (Note 11)	Interest Rate Range	Nature of Financing (Note 4)	Transaction Amount (Note 5)	Reason for Short-term Financing (Note 6)	Loss Allowance	Collateral		Financing Limit for Individual Borrower	Limit on Total Financing Amount	Note
													Item	Value			
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Other receivables - related parties	Y	\$ 80,000	\$ -	\$ -	0.50%~2.00%	2	-	Operating capital	-	-	-	\$ 1,597,460	\$ 3,194,921	(Note 7)
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	259,440	246,000	-	1.70%~4.00%	2	-	Operating capital	-	-	-	1,597,460	3,194,921	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	161,430	-	-	1.70%~4.00%	2	-	Operating capital	-	-	-	1,597,460	3,194,921	(Note 7)
1	Kunshan Taiflex Electronic Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	88,960	88,666	-	2.00%~4.00%	2	-	Operating capital	-	-	-	781,917	781,917	(Note 9)
1	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	622,720	606,662	519,996	2.00%~4.00%	2	-	Operating capital	-	-	-	781,917	781,917	(Note 9)
2	Koatech Technology Corporation	Kunshan Koatech Technology Corporation	Other receivables - related parties	Y	92,854	90,999	85,199	0.00%~4.00%	2	-	Operating capital	-	-	-	69,168	69,168	(Note 10)

Note 1: Companies are coded as follows:

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

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

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

Note 3: The maximum balance of financing provided to others for the year ended December 31, 2023.

Note 4: Nature of Financing is coded as follows:

(1) Business transaction is coded "1."

(2) Short-term financing is coded "2."

Note 5: If the nature of financing is business transaction, the transaction amount shall be disclosed. The transaction amount refers to the business transaction amount of the most recent year between the financing company and the borrower.

Note 6: With respect to short-term financing, the reasons of financing and the purpose of use by the borrower shall be specified, such as loan repayment, equipment acquisition or operating capital.

Note 7: The Company's "Procedures for Lending Funds to Other Parties" stipulates that the amount of financing provided shall not exceed 40% of the Company's net worth in the most recent financial statements. The amount of financing provided to a single entity shall not exceed 20% of the Company's net worth in the most recent financial statements.

Note 8: Total amount of financing to firms or companies having business relationship with the Company shall not exceed 20% of the Company's net worth. The financing amount to an individual party is limited to the transaction amount between both parties. The transaction amount means the purchase or sales amount between the parties, whichever is higher, and shall not exceed 10% of the Company's net worth. However, the lending amount to a single enterprise whose voting rights are 100% held, either directly or indirectly, by the Company shall not exceed 20% of the Company's net worth.

Note 9: For financing between offshore companies that the Company holds, either directly and indirectly, 100% of the voting rights, both the financing provided to a single entity and the total financing shall not exceed 100% of the financing company's net worth in the most recent financial statements.

Note 10: For financing to offshore companies that the financing company holds, either directly and indirectly, 100% of the voting rights, both the financing provided to a single entity and the total financing shall not exceed 40% of the financing company's net worth in the most recent financial statements audited or reviewed by CPAs. As the ending balance and amount actually drawn exceeded the limits, Koatech Technology Corporation had formulated an improvement plan in February 2024 and reported to the supervisors. The execution of the improvement plan would be monitored on a quarterly basis.

Note 11: If public companies, pursuant to Paragraph 1, Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, resolve each individual lending at the board meetings, the amounts resolved before drawdown shall be the publicly-announced balance to disclose the risk they assume; provided however, if any repayment is made subsequently, the outstanding balance after such repayment shall be disclosed to reflect the risk adjusted. If public companies, pursuant to Paragraph 2, Article 14 of the same Regulations, authorize the chairperson by board resolution, within a certain monetary limit and a period not to exceed one year, to give loans in instalments or to make a revolving credit line available, the amount resolved shall be the publicly-announced balance. Although repayments may be made subsequently, as drawdowns are likely to happen again, the amount of financing resolved by the board shall be recorded as the publicly-announced balance.

Note 12: This is the ending balance after evaluation.

TABLE 2: ENDORSEMENT/GUARANTEE PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to A Single Entity	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement/ Guarantee Secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed	Endorsement Provided by Parent Company to Subsidiaries (Note 7)	Endorsement Provided by Subsidiaries to Parent Company (Note 7)	Endorsement Provided to Subsidiaries in China (Note 7)	Note
		Name	Relationship (Note 2)											
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	2	\$ 3,993,651	\$551,310	\$519,675	\$ 2,970	\$ -	6.51%	\$ 3,993,651	Y	N	Y	(Note 3)
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Thailand) Co., Ltd.	2	3,993,651	486,450	461,250	2,091	-	5.77%		Y	N	N	
0	Taiflex Scientific Co., Ltd.	Taiflex Green Power Co., Ltd.	2	3,993,651	230,000	230,000	40,000	-	2.88%		Y	N	N	
1	Koatech Technology Corporation	Kunshan Koatech Technology Corporation	2	34,584	30,951	30,333	30,333	-	17.54%	86,460	N	N	Y	(Note 8)

Note 1: Companies are coded as follows:

- (1) Taiflex Scientific Co., Ltd. is coded "0."
- (2) The investees are coded from "1" in the order presented in the table above.

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

- (1) A company that has business relationships with Taiflex.
- (2) A company in which Taiflex directly or indirectly holds over 50% of the voting rights.
- (3) A company that directly or indirectly holds over 50% of Taiflex's voting rights.
- (4) Endorsements/guarantees between companies in which Taiflex directly or indirectly holds over 90% of the voting rights.
- (5) Mutual endorsements/guarantees between companies in the same industry or between joint builders which are provided in accordance with contractual terms for construction projects.
- (6) Endorsements/guarantees provided by each shareholder for their jointly invested company in proportion to their shareholding percentages.
- (7) Joint and several security between companies in the same industry for performance guarantees of pre-construction homes under the Consumer Protection Act.

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

Note 4: The maximum endorsement/guarantee balance for the year ended December 31, 2023.

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

Note 6: This is the ending balance after evaluation.

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

Note 8: The overall amount of guarantees/endorsements provided shall not exceed 50% of the endorsement/guarantee provider's net worth in the most recent financial statements. The amount of guarantees/endorsements provided to a single entity shall not exceed 20% of the endorsement/guarantee provider's net worth in the most recent financial statements.

TABLE 3: MARKETABLE SECURITIES HELD AS OF DECEMBER 31, 2023 (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

(In Thousands of New Taiwan Dollars)

Holder of Marketable Securities	Type of Marketable Securities (Note 1)	Name of Marketable Securities (Note 1)	Relationship with the Issuer (Note 2)	Financial Statement Account	December 31, 2023				Note
					Shares (In Thousands)	Carrying Amount (Note 3)	Ownership Percentage	Fair Value	
Taiflex Scientific Co., Ltd.	Non-listed (OTC) stocks	Exploit Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	25	\$ -	0.30%	\$ -	-
	Non-listed (OTC) stocks	Kyoritsu Optronics Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	741	-	18.10%	-	-
	Listed stocks	APAQ Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	6,139	426,661	6.90%	426,661	-
	Listed stocks	Zhen Ding Technology Holding Limited	-	Financial assets at fair value through profit or loss - current	255	27,754	0.03%	27,754	-

Note 1: Marketable securities stated in this table refer to stocks, bonds, beneficiary certificates and securities derived from the said items within the scope of IFRS 9 “Financial Instruments.”

Note 2: Not required if the issuer of the marketable securities is not a related party.

Note 3: If marketable securities are measured at fair value, please fill in the fair value after valuation adjustment, net of accumulated impairment. If marketable securities are not measured at fair value, please fill in the original cost or amortized cost, net of accumulated impairment.

TABLE 4: RELATED PARTY TRANSACTIONS WITH PURCHASE OR SALES AMOUNT OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note
			Sales (Purchases)	Amount	Percentage to Total Sales (Purchases)	Collection/ Payment Terms	Unit Price	Collection/ Payment Terms	Ending Balance	Percentage to Total Notes/Accounts Receivable (Payable)	
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	\$ 832,900	12.18%	Monthly settlement with payment in 180 days	-	-	\$ 449,522	17.11%	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	362,151	5.30%	Monthly settlement with payment in 90 days	-	-	136,002	5.18%	-
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Holds 100% of the third-tier subsidiary	Purchases	312,721	7.39%	Monthly settlement with payment in 180 days	-	-	(13,804)	(1.43%)	-
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	832,900	50.46%	Monthly settlement with payment in 180 days	-	-	(449,522)	(44.84%)	-
Shenzhen Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	Purchases	816,979	49.50%	Monthly settlement with payment in 180 days	-	-	(547,770)	(54.64%)	-
Kunshan Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	362,151	66.50%	Monthly settlement with payment in 90 days	-	-	(136,002)	(53.56%)	-
Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's ultimate parent company	Purchases	168,229	30.89%	Monthly settlement with payment in 180 days	-	-	(112,139)	(44.17%)	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	Sales	816,979	81.53%	Monthly settlement with payment in 180 days	-	-	547,770	81.26%	-
Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	The company's associate	Sales	168,229	16.79%	Monthly settlement with payment in 180 days	-	-	112,139	16.64%	-
Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Sales	312,721	92.50%	Monthly settlement with payment in 180 days	-	-	13,804	52.03%	-

Note 1: The sales prices and collection terms of sales to related parties are not significantly different from those of sales to non-related parties.

TABLE 5: RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Ratio (times)	Overdue		Amounts Received in Subsequent Periods	Lost Allowance	Note
					Amount	Action Taken			
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	\$ 449,522	1.83	\$ -	-	\$ 89,841	\$ -	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	136,002	3.30	-	-	-	-	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	547,770	1.69	-	-	71,708	-	-
Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	The company's associate	112,139	1.53	-	-	18,899	-	-
Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	519,996	(Note 1)	-	-	-	-	-
Koatech Technology Corporation	Kunshan Koatech Technology Corporation	The company holds 100% of the third-tier subsidiary	116,699	0.36	80,866	Continued collection efforts	20,370	-	(Note 2)-
Koatech Technology Corporation	Kunshan Koatech Technology Corporation	The company holds 100% of the third-tier subsidiary	4,364	(Note 1)	-	-	-	-	-

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

Note 2: Past due receivables are reclassified as financing provided to others. Please refer to Table 1 for details.



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

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				December 31, 2023	December 31, 2022	Shares (In Thousands)	Ownership Percentage	Carrying Amount			
Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	Belize	Investment holding	\$ 704,536	\$ 704,536	21,825	100.00%	\$ 795,519	\$ (11,531)	\$ (11,531)	(Note 2)
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	525	(128)	(128)	-
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	320,761	320,761	16,124	52.97%	175,817	(132,365)	(70,114)	-
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	88,568	93,309	3,419	12.97%	15,152	(85,033)	(11,162)	-
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	519,027	490	11,558	(Note 2)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	1,316,239	1,316,239	44,000	73.94%	1,472,206	1,877	1,387	(Note 2)
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	14,746	240	240	-
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	8,820	1	100.00%	10,965	669	669	-
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor materials	246,000	246,000	17,000	100.00%	291,960	59,615	59,662	(Note 1)
Taiflex Scientific Co., Ltd.	Taiflex Green Power Co., Ltd.	Taiwan	Generation and selling of electricity from renewables	50,000	50,000	5,000	100.00%	51,689	1,069	1,081	(Note 1)
Taiflex Scientific Co., Ltd.	Taiflex Scientific (Thailand) Co., Ltd.	Thailand	Manufacturing and selling of electronic materials	796,455	425,846	91,600	100.00%	816,689	(6,740)	(6,740)	-
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	26.06%	521,420	1,877	490	(Note 2)
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	781,988	(9,432)	(9,432)	-
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	113,517	113,517	3,960	100.00%	44,317	(61,252)	(61,252)	-
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	113,368	113,368	3,955	100.00%	42,916	(61,252)	(61,252)	-

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

Note 2: Including unrealized gain/loss between companies.

TABLE 7: INFORMATION ON INVESTMENTS IN MAINLAND CHINA

(In Thousands of New Taiwan Dollars)

Investor	Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflows of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflows of Investment from Taiwan as of December 31, 2023	Profit/Loss of Investee	Ownership Percentage (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2023	Accumulated Inward Remittances of Earnings as of December 31, 2023
						Outflow	Inflow						
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Selling of chemical products, electronic materials and electronic components	\$767,141 (US\$24,000,000)	2	\$ 767,141	\$ -	\$ -	\$ 767,141	\$ (9,432)	100.00%	\$ (9,432)	\$ 781,917	\$ 135,257
	Rudong Fuzhan Scientific Co., Ltd.	Manufacturing and selling of electronic materials	\$1,316,239 (US\$44,000,000)	2	1,316,239	-	-	1,316,239	7,949	100.00%	1,719	1,285,281	-
	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	158	100.00%	158	721,425	-
Koatech Technology Corporation	Kunshan Koatech Technology Corporation	A wholesaler and a commission agent of electronic materials and components	\$113,219 (US\$3,950,000)	2	113,219	-	-	113,219	(61,252)	52.97%	(32,445)	22,740	-
Accumulated Outflows of Investment from Taiwan to Mainland China as of December 31, 2023					Investment Amounts Authorized by the Investment Commission, MOEA					Upper Limit of Investment			
Taiflex Scientific Co., Ltd.			\$2,562,540	\$2,580,303					(Note 3)				
Koatech Technology Corporation			\$113,219	\$140,222					\$103,752				

Note 1: The methods for investment in mainland China are categorized into the following three types. Please specify the type.

- (1) Direct investment in mainland China.
- (2) Investment in mainland China through companies in the third area.
- (3) Others.

Note 2: Significant transactions with the investees in China, either directly or indirectly through the third area, and the relevant prices, payment terms and unrealized gains or losses:

- (1) Purchase and ending balance of related payables and their weightings: see Table 4.
- (2) Sales and ending balance of related receivables and their weightings: see Tables 4 and 5.
- (3) The transaction amount and gain or loss arising from property transactions: N/A.
- (4) Ending balance of endorsements/guarantees or collateral provided and the purposes: see Table 2.
- (5) Maximum balance, ending balance, interest rate range and total interest of current period from financing provided to others: see Table 1.
- (6) Transactions that have significant impact on profit or loss of the current period or the financial position, such as services rendered or received: N/A.

Note 3: The Company received official documents issued by the Industrial Development Bureau, Ministry of Economic Affairs certifying the Company being qualified for operating headquarters. Thus, the limit stipulated in the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China" does not apply.

Note 4: The upper limit of investment is calculated as follows:

Koatech Technology Corporation: NT\$172,920 thousand × 60% = NT\$103,752 thousand

TABLE 8: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount (Note 4)	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Sales revenue	\$ 832,900	General trading terms	10.22%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	449,522	General trading terms	3.45%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Sales revenue	362,151	General trading terms	4.44%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Accounts receivable	136,002	General trading terms	1.04%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Accounts receivable	43,848	General trading terms	0.34%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Other receivables	37,629	General trading terms	0.29%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Sales revenue	80,714	General trading terms	0.99%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Sales revenue	25,780	General trading terms	0.32%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Other receivables	69,905	General trading terms	0.54%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Thailand) Co., Ltd.	1	Other receivables	162,783	General trading terms	1.25%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Sales revenue	816,979	General trading terms	10.02%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Accounts receivable	547,770	General trading terms	4.20%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Sales revenue	168,229	General trading terms	2.06%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Accounts receivable	112,139	General trading terms	0.86%
2	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	3	Other receivables	519,996	Financing, with terms agreed by both parties	3.99%
3	Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	2	Sales revenue	312,721	General trading terms	3.84%
4	Koatech Technology Corporation	Kunshan Koatech Technology Corporation	3	Other receivables	85,230	Financing, with terms agreed by both parties	0.65%
4	Koatech Technology Corporation	Kunshan Koatech Technology Corporation	3	Accounts receivable	35,833	General trading terms	0.27%

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

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

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

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

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

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

Note 4: Eliminated upon consolidation.

TABLE 9: INFORMATION ON MAJOR SHAREHOLDERS

(In Shares)

Name of Major Shareholder	Share	Total Shares Owned	Ownership Percentage
Chang Wah Electromaterials Inc.		20,928,000	10.00%
Qiao Mei Development Corporation		16,263,729	7.77%

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

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

## 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, 2023 and 2022, 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 financial status of the Company as of December 31, 2023 and 2022, and its financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for audit opinion

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

### Key audit matters

Key audit matters are ones that were of most significance in our audit of the parent company only financial statements of Taiflex for the year ended December 31, 2023 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 coverlay amounted to NT\$2,613,856 thousand and accounted for 21% of Taiflex's total assets as of December 31, 2023. 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, 2023, net inventories of flexible copper-clad laminate and coverlay amounted to NT\$992,593 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 Company or cease its operations, or has no realistic alternative but to do so.

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

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

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

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

1. Identify and assess the risks of material misstatement arising from fraud or error within the parent company only financial statements; design and execute appropriate counter-measures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud or error is higher than for one resulting from error.
2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Taiflex's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Based on the audit evidence obtained, we conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on Taiflex's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the parent company only financial statements to pay attention to relevant disclosures in the notes to those statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may result in Taiflex ceasing to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements adequately represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the 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, 2023. 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 20, 2024



TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY BALANCE SHEETS  
December 31, 2023 and 2022  
(In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2023	December 31, 2022
<b>Current assets</b>			
Cash and cash equivalents	4, 6(1)	\$ 877,547	\$ 1,220,684
Financial assets at fair value through profit or loss - current	4, 6(2)	32,621	26,925
Financial assets at amortized cost - current	4, 6(3)	-	30,743
Notes receivable, net	4, 6(4)	444	359
Accounts receivable, net	4, 6(5)	1,967,968	2,073,040
Accounts receivable - related parties	6(5), 7	645,444	608,753
Other receivables		25,764	27,681
Other receivables - related parties	7	270,351	73,018
Inventories, net	4, 6(6)	992,593	1,267,489
Prepayments		18,366	14,113
Other current assets	8	22,347	21,083
Total current assets		4,853,445	5,363,888
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income - non-current	4, 6(7)	426,661	255,689
Investments accounted for using the equity method	4, 6(8)	4,164,295	3,847,586
Property, plant and equipment	4, 6(9)	2,400,662	2,334,661
Right-of-use assets	4, 6(21)	238,488	241,187
Intangible assets	4, 6(10)	77,368	89,778
Deferred income tax assets	4, 6(24)	116,986	108,464
Other non-current assets	4, 6(11)	6,529	6,474
Total non-current assets		7,430,989	6,883,839
<b>Total assets</b>		\$ 12,284,434	\$ 12,247,727

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY BALANCE SHEETS-(Continued)  
December 31, 2023 and 2022  
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2023	December 31, 2022
<b>Current liabilities</b>			
Short-term loans	6(12)	\$ -	\$ 190,000
Financial liabilities at fair value through profit or loss - current	4, 6(13)	1,556	21,069
Contract liabilities - current	4, 6(19)	9	-
Accounts payable		934,716	648,729
Accounts payable - related parties	7	33,467	58,345
Other payables		511,333	516,649
Other payables - related parties	7	20,349	15,826
Current income tax liabilities	4, 6(24)	203,214	274,858
Lease liabilities - current	4, 6(21)	11,009	9,988
Current portion of bonds	6(14)	1,891,501	-
Current portion of long-term loans	6(15)	-	60,583
Other current liabilities		3,065	3,121
Total current liabilities		3,610,219	1,799,168
<b>Non-current liabilities</b>			
Bonds payable	6(14)	-	1,873,400
Long-term loans	6(15)	200,000	141,417
Deferred income tax liabilities	4, 6(24)	117,783	108,015
Lease liabilities - non-current	4, 6(21)	236,488	238,548
Net defined benefit liabilities - non-current	4, 6(16)	132,642	179,147
Total non-current liabilities		686,913	2,540,527
Total liabilities		4,297,132	4,339,695
<b>Equity</b>			
Capital	6(17)		
Common stock		2,091,197	2,091,197
Capital surplus	6(17)	1,026,197	1,140,566
Retained earnings			
Legal reserve		1,163,891	1,089,400
Special reserve		310,176	235,996
Unappropriated earnings		3,560,533	3,661,049
Total retained earnings		5,034,600	4,986,445
Others	4	(164,692)	(310,176)
Total equity		7,987,302	7,908,032
<b>Total liabilities and equity</b>		<b>\$ 12,284,434</b>	<b>\$ 12,247,727</b>

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

(Concluded)

TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
For the Years Ended December 31, 2023 and 2022  
(In Thousands of New Taiwan Dollars)

	Notes	2023	2022
Operating revenue	4, 6(19), 7	\$ 6,837,677	\$ 7,287,918
Operating costs	4, 6(6,22), 7	(5,371,905)	(5,551,347)
Gross profit		1,465,772	1,736,571
Realized gain/(loss) on transactions with associates		3,555	3,226
Gross profit, net		1,469,327	1,739,797
Operating expenses	4, 6(22)		
Sales and marketing expenses		(299,188)	(355,369)
General and administrative expenses		(325,780)	(356,117)
Research and development expenses		(314,812)	(350,360)
Expected credit (loss)/gain	6(20)	(2,990)	(2,526)
Total operating expenses		(942,770)	(1,064,372)
Operating income		526,557	675,425
Non-operating income and expenses	6(23)		
Interest income		17,384	7,734
Other income		42,797	39,306
Other gains and losses		(38,002)	230,285
Finance costs		(25,026)	(30,284)
Share of profit or loss of subsidiaries and associates accounted for using the equity method	4, 6(8)	(25,078)	(54,431)
Total non-operating income and expenses		(27,925)	192,610
Income before income tax		498,632	868,035
Income tax expense	4, 6(24)	(75,658)	(167,552)
Net income from continuing operations		422,974	700,483
Net income		422,974	700,483
Other comprehensive income (loss)	6(23)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan		28,134	55,540
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income		170,972	(116,948)
Income tax related to items that will not be reclassified subsequently	6(24)	(5,626)	(11,108)
Items that may be reclassified subsequently to profit or loss	6(23)		
Exchange differences on translation of foreign operations		(31,859)	53,477
Income tax related to items that may be reclassified subsequently to profit or loss	6(24)	6,371	(10,695)
Total other comprehensive income (loss), net of tax		167,992	(29,734)
Total comprehensive income		\$ 590,966	\$ 670,749
Earnings per share (NT\$)	4, 6(25)		
Earnings per share - basic		\$ 2.02	\$ 3.35
Earnings per share - diluted		\$ 1.73	\$ 2.87

(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, 2023 and 2022  
(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, 2022	\$ 2,091,197	\$ 1,145,766	\$ 1,014,369	\$ 234,299	\$ 3,515,661	\$ (213,774)	\$ (22,222)	\$ 7,765,296
Appropriation and distribution of 2021 earnings								
Legal reserve			75,031		(75,031)			-
Special reserve				1,697	(1,697)			-
Cash dividends for common stocks					(522,799)			(522,799)
Changes in other capital surplus								
Changes from investments in associates accounted for using the equity method		7						7
Net income for the year ended December 31, 2022					700,483			700,483
Other comprehensive income (loss) for the year ended December 31, 2022					44,432	42,782	(116,948)	(29,734)
Total comprehensive income	-	-	-	-	744,915	42,782	(116,948)	670,749
Disposal of investments accounted for using the equity method		(5,207)						(5,207)
Changes in percentage of ownership interests in subsidiaries						(14)		(14)
Balance as of December 31, 2022	<u>\$ 2,091,197</u>	<u>\$ 1,140,566</u>	<u>\$ 1,089,400</u>	<u>\$ 235,996</u>	<u>\$ 3,661,049</u>	<u>\$ (171,006)</u>	<u>\$ (139,170)</u>	<u>\$ 7,908,032</u>
Balance as of January 1, 2023	\$ 2,091,197	\$ 1,140,566	\$ 1,089,400	\$ 235,996	\$ 3,661,049	\$ (171,006)	\$ (139,170)	\$ 7,908,032
Appropriation and distribution of 2022 earnings								
Legal reserve			74,491		(74,491)			-
Special reserve				74,180	(74,180)			-
Cash dividends for common stocks					(397,327)			(397,327)
Changes in other capital surplus								
Changes from investments in associates accounted for using the equity method		916						916
Cash dividends from capital surplus		(125,472)						(125,472)
Net income for the year ended December 31, 2023					422,974			422,974
Other comprehensive income (loss) for the year ended December 31, 2023					22,508	(25,488)	170,972	167,992
Total comprehensive income	-	-	-	-	445,482	(25,488)	170,972	590,966
Disposal of investments accounted for using the equity method		(3)						(3)
Share-based payments		10,190						10,190
Balance as of December 31, 2023	<u>\$ 2,091,197</u>	<u>\$ 1,026,197</u>	<u>\$ 1,163,891</u>	<u>\$ 310,176</u>	<u>\$ 3,560,533</u>	<u>\$ (196,494)</u>	<u>\$ 31,802</u>	<u>\$ 7,987,302</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, 2023 and 2022  
(In Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities:		
Income before income tax	\$ 498,632	\$ 868,035
Adjustments:		
Non-cash income and expense items:		
Depreciation	297,835	290,617
Amortization	21,333	21,286
Expected credit loss	2,990	2,526
Net (gain) loss on financial assets (liabilities) at fair value through profit or loss	(5,200)	69,775
Interest expense	25,026	30,284
Interest income	(17,384)	(7,734)
Compensation costs of share-based payments	10,190	-
Share of loss of associates accounted for using the equity method	25,078	54,431
Gain on disposal of property, plant and equipment	-	(80)
Gain on disposal of investments accounted for using the equity method	(807)	(39,846)
Others	37,924	89,949
Changes in operating assets and liabilities:		
Increase in financial assets mandatorily at fair value through profit or loss	(20,009)	(58,799)
(Increase) decrease in notes receivable	(85)	588
Decrease (increase) in accounts receivable	102,082	(533,571)
(Increase) decrease in accounts receivable - related parties	(36,691)	725,736
Decrease in other receivables	462	10,642
Increase in other receivables - related parties	(197,333)	(20,070)
Decrease (increase) in inventories	238,320	(93,085)
(Increase) decrease in prepayments	(4,253)	2,548
(Increase) decrease in other current assets	(1,195)	1,066
Increase (decrease) in contract liabilities	9	(957)
Increase (decrease) in accounts payable	285,987	(471,876)
(Decrease) increase in accounts payable - related parties	(24,878)	24,458
(Decrease) increase in other payables	(35,905)	32,082
Increase (decrease) in other payables - related parties	4,523	(10,297)
Decrease in other current liabilities	(3,444)	(3,169)
Decrease in net defined benefit liabilities	(18,371)	(14,002)
Cash generated from operations	<u>1,184,836</u>	<u>970,537</u>
Interest received	18,839	6,740
Interest paid	(3,369)	(7,380)
Income tax paid	(145,311)	(28,255)
Net cash generated by operating activities	<u>\$ 1,054,995</u>	<u>\$ 941,642</u>

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS-(Continued)  
For the Years Ended December 31, 2023 and 2022  
(In Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from investing activities:		
Disposal of financial assets at amortized cost	\$ 30,743	\$ 246,157
Acquisition of investments accounted for using the equity method	(370,609)	(455,846)
Disposal of investments accounted for using the equity method	2,071	46,419
Acquisition of property, plant and equipment	(499,024)	(469,432)
Disposal of property, plant and equipment	169,354	1,927
Increase in refundable deposits	(55)	-
Decrease in refundable deposits	-	670
Acquisition of intangible assets	(243)	(169)
(Increase) decrease in other current assets - other financial assets - current	(69)	28
Dividends received	-	4,676
Net cash used in investing activities	(667,832)	(625,570)
 Cash flows from financing activities:		
Decrease in short-term loans	(190,000)	(590,000)
Repayment of long-term loans	(2,000)	(442,850)
Repayment of lease principal	(15,501)	(14,922)
Distribution of cash dividends	(522,799)	(522,799)
Net cash used in financing activities	(730,300)	(1,570,571)
 Net decrease in cash and cash equivalents	(343,137)	(1,254,499)
Cash and cash equivalents at beginning of period	1,220,684	2,475,183
Cash and cash equivalents at end of period	\$ 877,547	\$ 1,220,684

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

(Concluded)

TAIFLEX SCIENTIFIC COMPANY LIMITED  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

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

1. History and Organization

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

2. Date and Procedures of Authorization of Financial Statements

The parent company only financial statements of the Company for the years ended December 31, 2023 and 2022 were approved and authorized for issue in the Board of Directors’ meeting on February 20, 2024.

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, 2023. The first-time adoption of new standards and amendments does not have any material impact on the Company.

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

No.	Projects of New or Amended Standards and Interpretations	Effective Date
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
IAS 1	Non-current Liabilities with Covenants	January 1, 2024
IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024

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

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

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

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

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

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

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

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

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

The aforementioned new, revised or amended standards and interpretations are issued by IASB and endorsed by the FSC to take effect for annual periods beginning on January 1, 2024. The aforementioned standards or interpretations do not have any material impact on the Company.

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

No.	Projects of New or Amended Standards and Interpretations	Effective Date
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 17	Insurance Contracts	January 1, 2023
IAS 21	Lack of Exchangeability	January 1, 2025

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

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

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

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



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

contracts is measured at the sum of fulfilment cash flows and contractual service margin at initial recognition. At the end of each reporting period, the carrying amount of the groups of insurance contracts is the sum of liabilities for remaining coverage and incurred claims.

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

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

C. Lack of Exchangeability (Amendments to IAS 21)

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

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

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The parent company only financial statements for the years ended December 31, 2023 and 2022 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

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

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

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

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

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

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

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

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

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

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

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

(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.

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

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

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.

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.

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

- (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 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.

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)

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

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 plus any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

D. Financial liabilities and equity instruments

Classification of liability and equity

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

Equity instruments

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

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

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.

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

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

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.

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 instruments

The Company uses derivative instruments to hedge its foreign currency risk and interest rate risk. 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



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

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.

(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.

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

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.

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

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

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 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.

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

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

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

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

(12) Borrowing costs

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

(13) Intangible assets

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

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

Intangible assets with finite lives are amortized on a straight-line basis over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method of an intangible asset with a finite

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

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.

(14) Impairment of non-financial assets

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

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

A CGU, or groups of CGUs, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an

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

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.

(15) Provisions

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

(16) Revenue recognition

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

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

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

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

(17) Leases

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

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

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

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.

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.

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

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.

(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.



TAIFLEX SCIENTIFIC COMPANY LIMITED

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

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) Share-based payment transactions

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

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

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

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

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

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

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

(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) nor gives rise to equal taxable and deductible temporary differences;
- B. Where the taxable temporary differences are associated with investments in subsidiaries and associates and the timing of the reversal of the differences 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 (loss) nor gives rise to equal taxable and deductible temporary differences; and
- B. Where the deferred income tax asset is related to the deductible temporary differences associated with investments in subsidiaries and associates. The deferred income tax asset is recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax relating to items

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

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.

Pursuant to the temporary exception of the “International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)”, the Company does not recognize deferred income tax assets and liabilities related to pillar two income taxes nor disclose relevant information.

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

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

(1) Major sources of estimation and uncertainty

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

A. Fair value of financial instruments

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

B. Impairment of non-financial assets

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

TAIFLEX SCIENTIFIC COMPANY LIMITED

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

C. Receivables - impairment loss estimate

The Company estimates the impairment loss of receivables by measuring the lifetime expected credit losses. Credit loss is calculated as the present value of the difference between contractual cash flows that are due to the Company under contracts (the carrying amount) and cash flows the Company expects to receive (by assessing the forward-looking information). For short-term receivables, as the discount effect is not significant, credit loss is measured using the undiscounted difference. Less-than-expected future cash flows could result in significant impairment charges. Please refer to Note 6(20) for details.

D. Inventories

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

E. Post-employment benefit plans

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

F. Income tax

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

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 profits 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, 2023 are disclosed in Note 6(24).

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

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and petty cash	\$ 333	\$ 333
Bank deposits	877,214	1,020,679
Repurchased agreements	-	199,672
Total	<u>\$ 877,547</u>	<u>\$ 1,220,684</u>

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

	December 31, 2023	December 31, 2022
Mandatorily at fair value through profit or loss: Derivative instruments not designated in a hedging relationship		
- Forward foreign exchange contracts	\$ 4,867	\$ 189
Stocks	27,754	26,736
Total	<u>\$ 32,621</u>	<u>\$ 26,925</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, 2023	December 31, 2022
Time deposits - current	<u>\$ -</u>	<u>\$ 30,743</u>

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

(4) Notes receivable, net

	December 31, 2023	December 31, 2022
Notes receivable, net	<u>\$ 444</u>	<u>\$ 359</u>

The Company's notes receivables were not pledged.

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

(5) Accounts receivable, net

	December 31, 2023	December 31, 2022
Accounts receivable	\$ 1,981,396	\$ 2,083,478
Less: Loss allowance	(13,428)	(10,438)
Subtotal	<u>1,967,968</u>	<u>2,073,040</u>
Accounts receivable - related parties	645,444	608,753
Total	<u>\$ 2,613,412</u>	<u>\$ 2,681,793</u>

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

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

B. The credit terms of accounts receivables are generally set at monthly settlement with payment in 60 to 180 days. Please refer to Note 6(20) for loss allowance for the years ended December 31, 2023 and 2022 and Note 12 for credit risk.

(6) Inventories, net

	December 31, 2023	December 31, 2022
Raw materials	\$ 572,093	\$ 791,893
Inventories in transit	27,449	3,571
Supplies	7,262	8,535
Work in progress	31,933	14,382
Finished goods	351,775	443,540
Merchandise	2,081	5,568
Total	<u>\$ 992,593</u>	<u>\$ 1,267,489</u>

The Company recognized NT\$5,371,905 thousand and NT\$5,551,347 thousand of operating costs associated with inventories for the years ended December 31, 2023 and 2022, respectively. Inventory valuation loss for inventories written down to their net realizable value amounted to NT\$10,747 thousand and NT\$72,550 thousand and was recognized as an addition to operating costs for the years ended December 31, 2023 and 2022, respectively.

The aforementioned inventories were not pledged.

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

	December 31, 2023	December 31, 2022
Investments in equity instruments at fair value through other comprehensive income - non-current:		
Publicly traded stocks	\$ 426,661	\$ 255,689
Non-publicly traded stocks	-	-
Total	<u>\$ 426,661</u>	<u>\$ 255,689</u>

The said financial assets at fair value through other comprehensive income were not pledged. As of December 31, 2023, the unrealized valuation loss on financial assets at fair value through other comprehensive income was fully recognized upon evaluation under valuation adjustment of investments in equity instruments at fair value through other comprehensive income. Please refer to Table 3 for details.

(8) Investments accounted for using the equity method

Investee	December 31, 2023		December 31, 2022	
	Amount	Ownership Percentage	Amount	Ownership Percentage
Investments in subsidiaries:				
Taistar Co., Ltd.	\$ 795,519	100.00%	\$ 820,617	100.00%
Leadmax Limited	525	100.00%	651	100.00%
Koatech Technology Corp.	175,817	52.97%	246,458	52.97%
Taichem Materials Co., Ltd.	291,960	100.00%	231,455	100.00%
Taiflex Green Power Co., Ltd.	51,689	100.00%	50,608	100.00%

(Continued)

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

Investee	December 31, 2023		December 31, 2022	
	Amount	Ownership Percentage	Amount	Ownership Percentage
TFS Co., Ltd.	\$ 519,027	100.00%	\$ 507,363	100.00%
Taiflex Scientific Japan Co., Ltd.	14,746	100.00%	15,519	100.00%
Richstar Co., Ltd.	1,472,206	73.94%	1,504,884	73.94%
Taiflex USA Corporation	10,965	100.00%	10,303	100.00%
Taiflex Scientific (Thailand) Co., Ltd. (Note 1)	816,689	100.00%	432,220	100.00%
Subtotal	4,149,143		3,820,078	
Investments in associates:				
Innovision FlexTech Corp.	15,152	12.97%	27,508	13.67%
Subtotal	15,152		27,508	
Total	\$4,164,295		\$3,847,586	

(Concluded)

Note 1: The Company established Taiflex Scientific (Thailand) Co., Ltd. in Thailand and acquired 100% of the company in May 2022.

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

Fair value when there is a quoted market price: Innovision FlexTech Corp. is a company listed on the Emerging Stock Board of Taipei Exchange. The fair value of the Company's investment in Innovision FlexTech Corp. amounted to NT\$33,846 thousand as of December 31, 2023.

A. The shares of profit or loss of subsidiaries and associates accounted for using the equity method for the years ended December 31, 2023 and 2022 were as follows:

Investee	Years Ended December 31	
	2023	2022
Taistar Co., Ltd.	\$ (11,531)	\$ (6,877)
Leadmax Limited	(128)	2
Innovision FlexTech Corp.	(11,162)	138
Koatech Technology Corp.	(70,114)	(9,877)
Taichem Materials Co., Ltd.	59,662	(41)
Taiflex Green Power Co., Ltd.	1,081	682
TFS Co., Ltd.	11,558	(12,771)
Taiflex Scientific Japan Co., Ltd.	240	210
Richstar Co., Ltd.	1,387	(23,625)
Taiflex USA Corporation	669	359
Taiflex Scientific (Thailand) Co., Ltd.	(6,740)	(889)
Geckos Technology Corp.	-	(1,742)
Total	\$ (25,078)	\$ (54,431)

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

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

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

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

	December 31, 2023	December 31, 2022
Total assets	\$ 256,117	\$ 381,120
Total liabilities	\$ 139,292	\$ 179,834
Years Ended December 31		
	2023	2022
Revenue	\$ 198,114	\$ 228,126
Net income	\$ (85,033)	\$ 863

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 prepayment for investments of NT\$26,659 thousand was for the capital increase of Koatech Technology Corporation. The capital increase was completed on the record date, i.e., January 14, 2022.

(9) Property, plant and equipment

	December 31, 2023	December 31, 2022
Owner-occupied property, plant and equipment	\$ 2,400,662	\$ 2,334,661

A. Owner-occupied property, plant and equipment

	As of January 1, 2023	Addition	Disposal	Reclassification	As of December 31, 2023
<u>Cost</u>					
Buildings	\$ 1,091,208	\$ 110,435	\$ (720)	\$ -	\$ 1,200,923
Machinery and equipment	2,840,121	321,069	(171,062)	-	2,990,128
Hydropower equipment	402,893	8,694	(7,903)	-	403,684
Testing equipment	303,838	4,524	(149)	-	308,213
Miscellaneous equipment	209,912	30,296	(1,033)	-	239,175
Total	\$ 4,847,972	\$ 475,018	\$ (180,867)	\$ -	\$ 5,142,123

Accumulated  
depreciation and  
impairment

Buildings	\$ 393,093	\$ 53,445	\$ (720)	\$ -	\$ 445,818
Machinery and equipment	1,972,304	172,039	(1,708)	-	2,142,635
Hydropower equipment	266,884	16,804	(7,903)	-	275,785
Testing equipment	187,584	24,443	(149)	-	211,878

(Continued)



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

	As of January 1, 2023	Addition	Disposal	Reclassification	As of December 31, 2023
Miscellaneous equipment	\$ 148,908	\$ 18,296	\$ (1,033)	\$ -	\$ 166,171
Total	<u>\$ 2,968,773</u>	<u>\$ 285,027</u>	<u>\$ (11,513)</u>	<u>\$ -</u>	<u>\$ 3,242,287</u>
Construction in progress and equipment awaiting inspection	455,462	55,433	-	(10,069)	500,826
Net	<u>\$ 2,334,661</u>				<u>\$ 2,400,662</u>

(Concluded)

	As of January 1, 2022	Addition	Disposal	Reclassification	As of December 31, 2022
<u>Cost</u>					
Buildings	\$ 1,088,270	\$ 2,938	\$ -	\$ -	\$ 1,091,208
Machinery and equipment	2,632,097	220,606	(12,582)	-	2,840,121
Hydropower equipment	398,353	5,220	(680)	-	402,893
Testing equipment	295,289	8,814	(265)	-	303,838
Miscellaneous equipment	212,055	4,881	(7,024)	-	209,912
Total	<u>\$ 4,626,064</u>	<u>\$ 242,459</u>	<u>\$ (20,551)</u>	<u>\$ -</u>	<u>\$ 4,847,972</u>

Accumulated depreciation and impairment

Buildings	\$ 344,880	\$ 48,213	\$ -	\$ -	\$ 393,093
Machinery and equipment	1,811,325	171,714	(10,735)	-	1,972,304
Hydropower equipment	251,194	16,370	(680)	-	266,884
Testing equipment	163,227	24,622	(265)	-	187,584
Miscellaneous equipment	138,453	17,479	(7,024)	-	148,908
Total	<u>\$ 2,709,079</u>	<u>\$ 278,398</u>	<u>\$ (18,704)</u>	<u>\$ -</u>	<u>\$ 2,968,773</u>
Construction in progress and equipment awaiting inspection	242,896	232,951	-	(20,385)	455,462
Net	<u>\$ 2,159,881</u>				<u>\$ 2,334,661</u>

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

(10) Intangible assets

	As of January 1, 2023	Addition	Disposal	Reclassification	As of December 31, 2023
<u>Cost</u>					
Trademarks	\$ 691	\$ -	\$ (176)	\$ -	\$ 515
Patents	18,768	243	(6,092)	-	12,919
Computer software	237,643	-	(86,083)	8,680	160,240
Total	<u>\$ 257,102</u>	<u>\$ 243</u>	<u>\$ (92,351)</u>	<u>\$ 8,680</u>	<u>\$ 173,674</u>

(Continued)

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

	As of January 1, 2023	Addition	Disposal	Reclassification	As of December 31, 2023
<u>Amortization and impairment</u>					
Trademarks	\$ 534	\$ 49	\$ (176)	\$ -	\$ 407
Patents	12,177	752	(6,092)	-	6,837
Computer software	154,613	20,532	(86,083)	-	89,062
Total	167,324	\$ 21,333	\$ (92,351)	\$ -	96,306
Net	\$ 89,778				\$ 77,368

(Concluded)

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

	As of January 1, 2022	Addition	Disposal	Reclassification	As of December 31, 2022
<u>Amortization and impairment</u>					
Trademarks	\$ 485	\$ 49	\$ -	\$ -	\$ 534
Patents	11,348	829	-	-	12,177
Computer software	134,205	20,408	-	-	154,613
Total	146,038	\$ 21,286	\$ -	\$ -	167,324
Net	\$ 91,212				\$ 89,778

(11) Other non-current assets

	December 31, 2023	December 31, 2022
Refundable deposits	\$ 6,529	\$ 6,474

(12) Short-term loans

	December 31, 2023	December 31, 2022
Unsecured bank loans	\$ -	\$ 190,000

The interest rate range of loans was 1.22% to 1.47% as of December 31, 2022, and the unused short-term credit facilities amounted to NT\$2,600,000 thousand and NT\$2,440,000 thousand as of December 31, 2023 and 2022, respectively.

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

	December 31, 2023	December 31, 2022
Held for trading:		
Derivative financial instruments not designated in a hedging relationship		
- Forward foreign exchange contracts	\$ -	\$ 4,339
Designated as at fair value through profit or loss:		
- Convertible bonds - put option	1,556	16,730
Total	\$ 1,556	\$ 21,069

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

(14) Bonds payable

	December 31, 2023	December 31, 2022
Overseas unsecured convertible bonds payable	\$ 1,891,501	\$ 1,873,400
Less: Current portion	(1,891,501)	-
Net	\$ -	\$ 1,873,400
Overseas unsecured convertible bonds payable		
	December 31, 2023	December 31, 2022
Liability component:		
Overseas unsecured convertible bonds payable - principal amount	\$ 1,945,300	\$ 1,945,300
Overseas unsecured convertible bonds payable - discounts	(53,799)	(71,900)
Subtotal	\$ 1,891,501	\$ 1,873,400
Less: Current portion	(1,891,501)	-
Net	\$ -	\$ 1,873,400
Embedded derivative financial instruments	\$ (1,556)	\$ (16,730)
Equity component	\$ 70,203	\$ 70,203

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

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

Period: November 30, 2021 to November 30, 2026

Major redemption and put option clauses:

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

TAIFLEX SCIENTIFIC COMPANY LIMITED

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS-(Continued)

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

dollars using the prevailing exchange rate (the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m.) for payments in U.S. dollars.

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

Terms of conversion:

- A. Underlying securities: Common stocks of the Company
- B. Conversion period: Bondholders have the right to convert their bonds into the Company’s common stocks from the day immediately following the 90-day period from the issue date to (1) 10 days prior to the maturity date or (2) no later than five business days prior to the holder’s put date or the date when the Company exercises early redemption.
- C. Conversion price and its adjustments: The conversion price is set at NT\$53.5 per share at the time of issuance. When the conversion price needs to be adjusted due to circumstances set out in the bond indenture, it shall be adjusted according to formula in the indenture. The conversion price as of December 31, 2023 was NT\$47.61 per share.
- D. Redemption on maturity date: Upon maturity, the bonds will be redeemed at 100% of the outstanding principal amount (i.e., the “Redemption Amount at Maturity”). The Redemption Amount at Maturity is converted to New Taiwan dollars using the Fixed Exchange Rate, and the New Taiwan dollars amount will be converted into U.S. dollars using the prevailing exchange rate (the US\$/NT\$ fixing published by the Taipei Forex Inc. at 11 a.m.) for payments in U.S. dollars.

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

(15) Long-term loans

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

Creditor	2023.12.31	Contract Term and Repayment
Export-Import Bank of the Republic of China - credit loan	\$ 200,000	2023.8.4 - 2029.8.4, non-revolving for six years from the initial drawdown date, principal to be repaid in 8 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Subtotal	200,000	
Less: Current portion	-	
Total	<u>\$ 200,000</u>	

Creditor	2022.12.31	Contract Term and Repayment
Export-Import Bank of the Republic of China - credit loan	\$ 75,000	2019.6.28 - 2024.6.28, non-revolving for five years from the initial drawdown date, principal to be repaid in 6 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Taipei Fubon Bank - credit loan	127,000	2021.9.6 - 2026.9.6, non-revolving for 60 months from the initial drawdown date, principal to be repaid in 12 equal quarterly installments after the grace period of 24 months with monthly interest payment
Subtotal	202,000	
Less: Current portion	<u>(60,583)</u>	
Total	<u>\$ 141,417</u>	

A. The interest rate ranges of loans were 1.7165% and 1.232% to 1.7586% as of December 31, 2023 and 2022, 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 parent company only 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, 2023 and 2022 were NT\$28,095 thousand and NT\$28,740 thousand, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan were as follows:

Financial Statement Account	Years Ended December 31	
	2023	2022
Operating costs	\$ 3,488	\$ 3,943
Sales and marketing expenses	280	223

(Continued)

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

Financial Statement Account	Years Ended December 31	
	2023	2022
General and administrative expenses	\$ 2,676	\$ 2,689
Research and development expenses	1,653	1,804
Total	<u>\$ 8,097</u>	<u>\$ 8,659</u>

(Concluded)

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

	Years Ended December 31	
	2023	2022
Beginning balance	\$ 80,483	\$ 136,023
Actuarial gain or loss	(28,134)	(55,540)
Ending balance	<u>\$ 52,349</u>	<u>\$ 80,483</u>

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

	Years Ended December 31	
	2023	2022
Present value of defined benefit obligation	\$ 197,405	\$ 219,323
Fair value of plan assets	(64,763)	(40,176)
Funded status	132,642	179,147
Net defined benefit liabilities	<u>\$ 132,642</u>	<u>\$ 179,147</u>

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

	Years Ended December 31	
	2023	2022
Beginning balance	\$ 219,323	\$ 267,236
Current service cost	5,590	6,943
Interest cost	3,070	1,844
Actuarial gain or loss	(28,094)	(54,078)
Benefits paid	(2,484)	(2,622)
Ending balance	<u>\$ 197,405</u>	<u>\$ 219,323</u>

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

	Years Ended December 31	
	2023	2022
Beginning balance	\$ 40,176	\$ 18,547
Return on plan assets	563	128
Contributions from employer	26,468	22,661
Actuarial gain or loss	40	1,462
Benefits paid	(2,484)	(2,622)
Ending balance	<u>\$ 64,763</u>	<u>\$ 40,176</u>

- G. As of December 31, 2023, the Company expected to make contributions of NT\$6,612 thousand to the defined benefit plan in the following 12 months.

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

- 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, 2023	December 31, 2022
Cash	100%	100%

The Company's actual returns on plan assets were NT\$602 thousand and NT\$1,590 thousand for the years ended December 31, 2023 and 2022, 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, 2023	December 31, 2022
Discount rate	1.29%	1.40%
Expected rate of return on plan assets	1.29%	1.40%
Expected rate of salary increases	4.00%	4.50%

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

	Years Ended December 31			
	2023		2022	
	0.5% Increase	0.5% Decrease	0.5% Increase	0.5% Decrease
Effect on aggregate of current service cost and interest cost	\$ 406	\$ (522)	\$ 566	\$ (726)
Effect on present value of defined benefit obligation	(13,452)	14,623	(16,170)	17,673

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

	Years Ended December 31	
	2023	2022
Present value of defined benefit obligation, ending balance	\$ 197,405	\$ 219,323
Fair value of plan assets, ending balance	(64,763)	(40,176)
Surplus/deficit of plan, ending balance	\$ 132,642	\$ 179,147
Experience adjustments on plan liabilities	\$ (17,238)	\$ (14,355)
Experience adjustments on plan assets	\$ (40)	\$ (1,462)

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

(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, 2023 and 2022.
- (b) The Company's issued capital was NT\$2,091,197 thousand, divided into 209,120 thousand shares, each at a par value of NT\$10 as of December 31, 2023 and 2022.

B. Capital surplus

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 541,007	\$ 666,479
Premium from merger	262,500	262,500
Donated assets	1,970	1,970
Treasury stock transactions	27,280	27,280
Due to recognition of equity component of convertible bonds - stock options	70,203	70,203
Employee stock options	11,033	-
Others	112,204	112,134
Total	<u>\$ 1,026,197</u>	<u>\$ 1,140,566</u>

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

C. Appropriation of profits and dividend policies

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

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

- (a) Taxes and dues.
- (b) Deficit compensation.
- (c) 10% of net profit as legal reserves. However, this shall not apply when the accumulated legal reserve has equaled total capital.
- (d) Special reserve appropriated or reversed as stipulated by relevant laws and regulations or the competent securities authorities.



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

- (e) For the remaining profits, if any, the Board of Directors shall draft a proposal for the distribution of earnings. Regarding earnings distributed by an issuance of new shares, the proposal shall be approved by the shareholders' meeting, and for earnings distributed in the form of cash, the proposal shall be submitted to the Board of Directors' meeting for resolution.

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

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

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

- (a) Taxes and dues.
- (b) Deficit compensation.
- (c) 10% of net profit as legal reserves. However, this shall not apply when the accumulated legal reserve has equaled total paid-in capital.
- (d) Special reserve appropriated or reversed as stipulated by relevant laws and regulations or the competent securities authorities.
- (e) For the remaining profits, if any, the Board of Directors shall draft a proposal for the distribution of bonus to shareholders and submit it to the shareholders' meeting for resolution.

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

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 relevant assets, it may reverse to distributable earnings a proportional amount of the special reserves originally set aside.

As of December 31, 2023 and 2022, special reserve set aside for the first-time adoption of IFRS amounted to NT\$75,546 thousand.

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

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

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

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

Information about the appropriation of 2023 earnings proposed in the Board of Directors' meeting on February 20, 2024 was as follows:

	Appropriation of Earnings	Dividend per Share (NT\$)
	2023	2023
Legal reserve	\$ 44,548	\$ -
Special reserve reversed	(145,484)	-
Cash dividends (Note)	209,120	1.00
Stock dividends	104,560	0.50

Note: The Board of Directors, authorized by the Articles of Incorporation, approved the 2023 cash dividend distribution on February 20, 2024.

Please refer to Note 6(22) for information on the accrual basis and the amounts recognized for compensation to employees and remuneration to directors.

(18) Share-based payment plan

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

A. Employee share-based payment plan of the Company

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

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

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

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

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

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

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

For share-based payment plan granted in the year ended December 31, 2023, assumptions used in the pricing model for estimating the fair value of options on the grant date were as follows:

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

Details of the Company's compensatory employee stock option plan for the year ended December 31, 2023 were as follows:

	Year Ended December 31, 2023			
	No. of Options Outstanding (in thousands)	Weighted Average Exercise Price (NT\$)	Range of Exercise Price (NT\$)	Weighted Average Remaining Life (Year)
Outstanding at beginning of period	-	\$ -		
Granted	3,000	42.3		
Forfeited	(120)	39.9		
Exercised	-	-		
Expired	-	-		
Outstanding at end of period	2,880	39.9	\$ 39.9	4.08
Exercisable at end of period	-	-		

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

	Year Ended December 31, 2023
Expenses recognized for the share-based payment transactions (equity-settled share-based payments)	\$ 10,190

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

(19) Operating revenue

	Years Ended December 31		
	2023	2022	
Revenue from sale of goods	\$ 6,837,677	\$ 7,287,918	
Contract balances:			
	December 31,	December 31,	December 31,
Contract liabilities - current	2023	2022	2021
Sale of goods	\$ 9	\$ -	\$ 957

Beginning balance of contract liabilities reclassified to revenue amounted to NT\$0 thousand and NT\$957 thousand for the years ended December 31, 2023 and 2022, respectively.

(20) Expected credit loss

	Years Ended December 31	
	2023	2022
Operating expenses - expected credit loss		
Accounts receivable	\$ 2,990	\$ 2,526

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, 2023 and 2022 was as follows:

December 31, 2023

	Not Past Due (Note)	Past Due			Total
		Within 90 Days	91-180 Days	Over 181 Days	
Gross carrying amount	\$ 2,610,191	\$ 17,093	\$ -	\$ -	\$ 2,627,284
Loss ratio	0%~1%	3%~10%	20%~50%	50%~100%	
Lifetime expected credit losses	11,732	1,696	-	-	13,428
Subtotal	\$ 2,598,459	\$ 15,397	\$ -	\$ -	\$ 2,613,856

December 31, 2022

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

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

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

Movements in the loss allowance for receivables in the years ended December 31, 2023 and 2022 were as follows:

	Receivables
Balance as of January 1, 2023	\$ 10,438
Appropriated in the current period	2,990
Write off	-
Balance as of December 31, 2023	\$ 13,428
	Receivables
Balance as of January 1, 2022	\$ 7,912
Appropriated in the current period	2,526
Write off	-
Balance as of December 31, 2022	\$ 10,438

(21) Leases

A. The Company being a lessee

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

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

(a) Amounts recognized in the balance sheets

i. Right-of-use assets

Carrying amount of right-of-use assets

	December 31, 2023	December 31, 2022
Land	\$ 220,465	\$ 226,571
Transportation equipment	18,023	14,616
Total	\$ 238,488	\$ 241,187

The Company's right-of-use assets increased by NT\$10,964 thousand and NT\$12,058 thousand for the years ended December 31, 2023 and 2022, respectively.

ii. Lease liabilities

	December 31, 2023	December 31, 2022
Current	\$ 11,009	\$ 9,988
Non-current	236,488	238,548
Lease liabilities	\$ 247,497	\$ 248,536

Please refer to Note 6(23)D Finance costs for details on interest expenses of lease liabilities for the years ended December 31, 2023 and 2022 and Note 12(5) Liquidity risk management for the maturity analysis on lease liabilities as of December 31, 2023 and 2022.

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

- (b) Amounts recognized in the statements of comprehensive income  
Depreciation of right-of-use assets

	Years Ended December 31	
	2023	2022
Land	\$ 6,105	\$ 6,117
Transportation equipment	6,703	6,102
Total	\$ 12,808	\$ 12,219

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

	Years Ended December 31	
	2023	2022
Expense of short-term leases	\$ 73,899	\$ 63,504
Expense of leases of low value assets (excluding short-term leases of low value assets)	3,423	5,271

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

The Company's cash outflows from leases amounted to NT\$92,823 thousand and NT\$83,697 thousand for the years ended December 31, 2023 and 2022, 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.

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

Function \ Nature	Years Ended December 31					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	384,143	292,398	676,541	432,107	335,156	767,263
Labor and health insurance	42,157	23,699	65,856	43,043	22,713	65,756

(Continued)

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

Nature \ Function	Years Ended December 31					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Pension	21,183	15,009	36,192	22,533	14,866	37,399
Remuneration to directors	-	11,621	11,621	-	19,970	19,970
Other employee benefits expense	46,726	21,419	68,145	48,296	20,976	69,272
Depreciation	253,459	44,376	297,835	247,694	42,923	290,617
Amortization	2,605	18,728	21,333	2,632	18,654	21,286

(Concluded)

For the years ended December 31, 2023 and 2022, the Company had 812 and 855 employees, and 7 and 6 directors who were not employees of the Company, respectively.

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 2023 equaled NT\$1,052 thousand, which was calculated as follows:  $(\text{Sum of employee benefits expense} - \text{Sum of remuneration to directors in 2023}) / (\text{Number of employees} - \text{Number of directors who are not employees of the Company in 2023})$ . The average employee benefits expense in 2022 equaled NT\$1,106 thousand, which was calculated as follows:  $(\text{Sum of employee benefits expense} - \text{Sum of remuneration to directors in 2022}) / (\text{Number of employees} - \text{Number of directors who are not employees of the Company in 2022})$ .
- B. The average employee salaries in 2023 equaled NT\$841 thousand, which was calculated as follows:  $\text{Sum of employee salaries in 2023} / (\text{Number of employees} - \text{Number of directors who are not employees of the Company in 2023})$ . The average employee salaries in 2022 equaled NT\$903 thousand, which was calculated as follows:  $\text{Sum of employee salaries in 2022} / (\text{Number of employees} - \text{Number of directors who are not employees of the Company in 2022})$ .
- C. The change in average employee salaries equaled -6.92% in 2023, which was calculated as follows:  $(\text{Average employee salaries in 2023} - \text{average employee salaries in 2022}) / \text{Average employee salaries in 2022}$ .
- 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

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

performance and individual's performance and contribution.

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

If the Board of Directors resolved to distribute compensation to employees in the form of stock, the closing price of stocks on the date preceding the resolution shall be the basis in calculating the number of stocks to be distributed. If the amount accrued differed from the amount resolved in the Board of Directors' meeting, the difference would be recognized in the profit or loss of the following year. Information on 2023 and 2022 compensation to employees and remuneration to directors resolved in the Board of Directors' meetings on February 20, 2024 and February 22, 2023, respectively, was as follows:

	Years Ended December 31	
	2023	2022
Compensation to employees	\$ 41,163	\$ 71,668
Remuneration to directors	11,256	19,597

The difference between 2023 compensation to employees and remuneration to directors resolved in the Board of Directors' meeting in 2024 and the amount accrued was recognized in the profit or loss of the following year.

The 2022 compensation to employees and remuneration to directors reported in the shareholders' meeting were not significantly different from the amounts resolved in the Board of Directors' meeting on February 22, 2023 and the amounts recognized as expenses in the financial statements.

(23) Non-operating income and expenses

A. Interest income

	Years Ended December 31	
	2023	2022
Interest income	\$ 17,384	\$ 7,734

B. Other income

	Years Ended December 31	
	2023	2022
Other income	\$ 42,797	\$ 39,306



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

C. Other gains and losses

	Years Ended December 31	
	2023	2022
Gain on disposal of property, plant and equipment	\$ -	\$ 80
Foreign exchange (loss) gain, net	(43,149)	261,467
Gain (loss) on financial assets (liabilities) at fair value through profit or loss, net	5,200	(69,775)
Gain on disposal of investments accounted for using the equity method	807	39,846
Other losses	(860)	(1,333)
Total	<u>\$ (38,002)</u>	<u>\$ 230,285</u>

D. Finance costs

	Years Ended December 31	
	2023	2022
Interest on bank loans	\$ (2,531)	\$ (7,948)
Interest on lease liabilities	(4,394)	(4,408)
Interest on bonds payable	(18,101)	(17,928)
Total	<u>\$ (25,026)</u>	<u>\$ (30,284)</u>

E. Components of other comprehensive income

For the year ended December 31, 2023

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	\$ 28,134	\$ -	\$ 28,134	\$ (5,626)	\$ 22,508
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	170,972	-	170,972	-	170,972
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(31,859)	-	(31,859)	6,371	(25,488)
Total	<u>\$ 167,247</u>	<u>\$ -</u>	<u>\$ 167,247</u>	<u>\$ 745</u>	<u>\$ 167,992</u>

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

For the year ended December 31, 2022

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	\$ 55,540	\$ -	\$ 55,540	\$ (11,108)	\$ 44,432
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(116,948)	-	(116,948)	-	(116,948)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	53,477	-	53,477	(10,695)	42,782
Total	<u>\$ (7,931)</u>	<u>\$ -</u>	<u>\$ (7,931)</u>	<u>\$ (21,803)</u>	<u>\$ (29,734)</u>

(24) Income tax

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

Income tax recognized in profit or loss

	Years Ended December 31	
	2023	2022
Current income tax expense (benefit):		
Current income tax payable	\$ 102,385	\$ 175,980
Income tax adjustments on prior years	(28,647)	(2,000)
Deferred income tax expense (benefit):		
Deferred income tax expense (benefit) relating to origination and reversal of temporary differences	1,920	(6,428)
Income tax expense	<u>\$ 75,658</u>	<u>\$ 167,552</u>

Income tax recognized in other comprehensive income

	Years Ended December 31	
	2023	2022
Deferred income tax benefit:		
Remeasurement of defined benefit plan	\$ 5,626	\$ 11,108
Exchange differences arising on translation of foreign operations	(6,371)	10,695
Income tax relating to components of other comprehensive income	<u>\$ (745)</u>	<u>\$ 21,803</u>

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

- 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	
	2023	2022
Income before tax from continuing operations	\$ 498,632	\$ 868,035
Income tax expense at the statutory rate of the Company	\$ 99,726	\$ 173,607
Tax effects of tax-exempt income	(2,876)	(5,633)
Tax effects of non-deductible expenses for taxable income	2,991	4,858
Tax effects of deferred income tax assets/liabilities	1,920	(6,428)
Income tax adjustments on prior years	(28,647)	(2,000)
Tax effects of other tax adjustments	2,544	3,148
Income tax expense recognized in profit or loss	\$ 75,658	\$ 167,552

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

For the year ended December 31, 2023

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized in Equity	Ending Balance
Temporary differences					
Exchange gain or loss	\$ (4,952)	\$ 8,910	\$ -	\$ -	\$ 3,958
Allowance for inventory valuation and obsolescence loss	33,344	2,149	-	-	35,493
Gain (loss) on investments accounted for using the equity method	(81,071)	5,059	6,371	-	(69,641)
Unrealized intra-group profits and losses	4,460	(847)	-	-	3,613
Impairment of assets	1,320	-	-	-	1,320
Net defined benefit liabilities	35,829	(3,674)	(5,626)	-	26,529
Others	11,519	(13,588)	-	-	(2,069)
Deferred income tax benefit (expense)		\$ (1,991)	\$ 745	\$ -	
Net deferred income tax assets (liabilities)	\$ 449				\$ (797)
Reflected in balance sheet as follows:					
Deferred income tax assets	\$ 108,464				\$ 116,986
Deferred income tax liabilities	\$ (108,015)				\$ (117,783)

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

For the year ended December 31, 2022

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

D. Unrecognized deferred income tax assets:

As of December 31, 2023 and 2022, the Company did not have deferred income tax assets that had not been recognized.

E. The assessment of income tax returns:

As of December 31, 2023, the Company's income tax return was assessed and approved up to 2021 with returns for 2020 pending for approval.

(25) Earnings per share (EPS)

	Year Ended December 31, 2023		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the Company	\$ 422,974	209,120	\$ 2.02
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	14,481	40,859	
Employee compensation - stock	-	839	
Employee stock options	-	2,510	
Net income attributable to common shareholders of the Company and effect of potential common stocks	\$ 437,455	253,328	\$ 1.73

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

	Year Ended December 31, 2022		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT\$)
<u>Basic EPS</u>			
Net income attributable to common shareholders of the Company	\$ 700,483	209,120	\$ 3.35
<u>Diluted EPS</u>			
Effect of dilutive potential common stocks			
Interest on convertible bonds	14,342	38,460	
Employee compensation - stock	-	1,740	
Net income attributable to common shareholders of the Company and effect of potential common stocks	\$ 714,825	249,320	\$ 2.87

7. Related Party Transactions

(1) Names and relationships

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

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

(2) Significant transactions with related parties

A. Sales

	Years Ended December 31	
	2023	2022
Subsidiaries		
Shenzhen Taiflex Electronic Co., Ltd.	\$ 832,900	\$ 777,241
Kunshan Taiflex Electronic Co., Ltd.	362,151	350,741
Rudong Fuzhan Scientific Co., Ltd.	80,714	74,884
Others	25,858	32,037
Total	<u>\$ 1,301,623</u>	<u>\$ 1,234,903</u>

The sales prices of related party transactions were determined through negotiation based on market prices. The outstanding balances as of December 31, 2023 and 2022 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	
	2023	2022
Subsidiaries		
Taichem Materials Co., Ltd.	\$ 312,721	\$ 184,602
Kunshan Taiflex Electronic Co., Ltd.	17,583	11,026
Rudong Fuzhan Scientific Co., Ltd.	15,682	24,363
Shenzhen Taiflex Electronic Co., Ltd.	3,694	838
Total	<u>\$ 349,680</u>	<u>\$ 220,829</u>

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

C. Property transactions

Acquisition of property, plant and equipment

	Years Ended December 31	
	2023	2022
Innatech	\$ 2,300	\$ 1,358
Rudong Fuzhan Scientific Co., Ltd.	-	1,429
Total	<u>\$ 2,300</u>	<u>\$ 2,787</u>

Acquisition of intangible assets

	Years Ended December 31	
	2023	2022
Innatech	<u>\$ 1,627</u>	<u>\$ 1,361</u>

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

Proceeds from sale of property, plant and equipment

	Years Ended December 31	
	2023	2022
Taiflex Scientific (Thailand) Co., Ltd.	\$ 169,354	\$ -
Rudong Fuzhan Scientific Co., Ltd.	-	2,002
Total	<u>\$ 169,354</u>	<u>\$ 2,002</u>

Gain on sale of property, plant and equipment

	Years Ended December 31	
	2023	2022
Rudong Fuzhan Scientific Co., Ltd.	\$ -	\$ 55
Taiflex Scientific (Thailand) Co., Ltd.	-	-
Total	<u>\$ -</u>	<u>\$ 55</u>

D. Accounts receivable - related parties

	December 31, 2023	December 31, 2022
Subsidiaries		
Shenzhen Taiflex Electronic Co., Ltd.	\$ 449,522	\$ 462,519
Kunshan Taiflex Electronic Co., Ltd.	136,002	83,817
Rudong Fuzhan Scientific Co., Ltd.	43,848	61,341
Others	16,072	1,076
Total	<u>\$ 645,444</u>	<u>\$ 608,753</u>

E. Other receivables - related parties

Non-financing

	December 31, 2023	December 31, 2022
Subsidiaries		
Taiflex Scientific (Thailand) Co., Ltd.	\$ 162,783	\$ -
Rudong Fuzhan Scientific Co., Ltd.	37,629	15,069
Taichem Materials Co., Ltd.	69,905	57,913
Others	34	36
Total	<u>\$ 270,351</u>	<u>\$ 73,018</u>

F. Prepayments

	December 31, 2023	December 31, 2022
Innatech	\$ 468	\$ 150
SINYA Digital	284	-
SINYA Network	-	90
Total	<u>\$ 752</u>	<u>\$ 240</u>

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

G. Accounts payable - related parties

	December 31, 2023	December 31, 2022
Subsidiaries		
Taichem Materials Co., Ltd.	\$ 13,804	\$ 37,275
Rudong Fuzhan Scientific Co., Ltd.	12,664	13,816
Kunshan Taiflex Electronic Co., Ltd.	6,999	6,836
Shenzhen Taiflex Electronic Co., Ltd.	-	418
Total	<u>\$ 33,467</u>	<u>\$ 58,345</u>

H. Other payables - related parties

	December 31, 2023	December 31, 2022
Substantive related parties		
Innatech	\$ 431	\$ 2,877
SINYA Digital	1,366	941
Subsidiaries		
Taiflex USA Corporation	9,715	6,555
Taiflex Scientific Japan Co., Ltd.	5,273	5,068
Koatech Technology Corporation	3,564	385
Total	<u>\$ 20,349</u>	<u>\$ 15,826</u>

I. Others

Rental income

	Years Ended December 31	
	2023	2022
Geckos	\$ -	\$ 1,250
Taichem Materials Co., Ltd.	1,200	1,200
Taiflex Green Power Co., Ltd.	363	188
Total	<u>\$ 1,563</u>	<u>\$ 2,638</u>

Rents were determined through negotiation based on market prices. The collection terms 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	
	2023	2022
SINYA Network	\$ -	\$ 183
Innatech	3,257	2,984
SINYA Digital	1,023	825
Total	<u>\$ 4,280</u>	<u>\$ 3,992</u>



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

J. Compensation to key management of the Company

	Years Ended December 31	
	2023	2022
Short-term employee benefits	\$ 89,653	\$ 64,775
Post-employment benefits	1,582	496
Total	\$ 91,235	\$ 65,271

8. Pledged Assets

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

	Carrying Amount		Purpose of Pledge
	December 31, 2023	December 31, 2022	
Time deposits (Note)	\$ 20,153	\$ 20,084	Customs guarantee
Buildings	-	36,785	Letter of credit and short-term credit facilities
Total	\$ 20,153	\$ 56,869	

Note: These were recognized as other current assets.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

Details of the Company's unused letters of credit as of December 31, 2023 were as follows:

	L / C Balance	
USD	US\$	5,865 thousand
JPY	JPY	74,000 thousand

10. Significant Disaster Loss

None.

11. Significant Subsequent Events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2023	December 31, 2022
Financial assets at fair value through profit or loss	\$ 32,621	\$ 26,925
Financial assets at fair value through other comprehensive income	426,661	255,689
Financial assets at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	877,214	1,220,351
Financial assets at amortized cost	-	30,743
Receivables	2,909,971	2,782,851
Other financial assets - current	20,153	20,084

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

Financial liabilities

	December 31, 2023	December 31, 2022
Financial liabilities at fair value through profit or loss:		
Held for trading	\$ -	\$ 4,339
Designated as at fair value through profit or loss	1,556	16,730
Financial liabilities at amortized cost:		
Short-term loans	-	190,000
Payables	1,499,865	1,239,549
Bonds payable (including current portion)	1,891,501	1,873,400
Long-term loans (including current portion)	200,000	202,000
Lease liabilities (current and non-current)	247,497	248,536

(2) Objectives of financial risk management

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

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

(3) Market risk

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

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

A. Foreign currency risk

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

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

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.

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

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, 2023 and 2022 to increase/decrease by NT\$1,388 thousand and NT\$1,337 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, 2023 and 2022 to increase/decrease by NT\$21,333 thousand and NT\$12,784 thousand, respectively.

D. Pre-tax sensitivity analysis was as follows:

For the year ended December 31, 2023

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	-/+ NT\$17,685 thousand
	NTD/RMB appreciate/depreciate by 1%	-/+ NT\$ 7,690 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/- NT\$ 677 thousand

For the year ended December 31, 2022

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

(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).

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

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

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

(5) Liquidity risk management

The Company maintains its financial flexibility through the use of cash and cash equivalents, highly-liquid marketable securities, bank loans, 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

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<u>December 31, 2023</u>					
Borrowings	\$ 3,442	\$ 56,303	\$ 103,168	\$ 50,296	\$ 213,209
Payables	1,499,865	-	-	-	1,499,865
Convertible bonds	1,945,300	-	-	-	1,945,300
Lease liabilities	15,327	26,223	20,328	270,937	332,815
<u>December 31, 2022</u>					
Borrowings	\$ 243,102	\$ 112,474	\$ 42,570	\$ -	\$ 398,146
Payables	1,239,549	-	-	-	1,239,549
Convertible bonds	-	1,945,300	-	-	1,945,300
Lease liabilities	14,283	24,524	19,387	279,581	337,775

Derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<u>December 31, 2023</u>					
Inflows	\$ 423,679	\$ -	\$ -	\$ -	\$ 423,679
Outflows	420,747	-	-	-	420,747
Net	<u>\$ 2,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,932</u>
<u>December 31, 2022</u>					
Inflows	\$ 644,230	\$ -	\$ -	\$ -	\$ 644,230
Outflows	651,612	-	-	-	651,612
Net	<u>\$ (7,382)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,382)</u>

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

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2023:

	Short-term Loans	Long-term Loans	Lease Liabilities	Bonds Payable	Total Liabilities from Financing Activities
As of January 1, 2023	\$ 190,000	\$ 202,000	\$ 248,536	\$ 1,873,400	\$ 2,513,936
Cash flows	(190,000)	(2,000)	(15,501)	-	(207,501)
Non-cash movements	-	-	14,462	18,101	32,563
As of December 31, 2023	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 247,497</u>	<u>\$ 1,891,501</u>	<u>\$ 2,338,998</u>

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

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

(7) Fair values of financial instruments

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

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

- (a) The carrying amount of cash and cash equivalents, receivables, short-term loans, payables and other current liabilities approximates their fair value due to short maturity terms.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on quoted market prices (e.g., listed equity securities).
- (c) For bank loans and bonds payable with no quoted market price, the fair value is determined by the quoted price of the counterparty or valuation techniques. The latter is based on the discounted cash flow analysis with assumptions of interest rates and discount rates primarily founded on relevant information of similar instruments.
- (d) In terms of derivative financial instruments with no quoted market price, the fair value of non-option derivatives is determined by the quoted price of the counterparty or the discounted cash flow analysis using the applicable yield curve for the contract duration. As for option derivatives, the quoted price of the counterparty or the appropriate option pricing models (e.g., the Black-Sholes model or the binomial tree valuation model of convertible bonds) are adopted to calculate the fair value.

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

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

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

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

Currency	Contract Period	Contract Amount (in thousands)
<u>December 31, 2023</u>		
Sell RMB/Buy NTD	2023.09~2024.05	RMB 90,000/NT\$ 392,334
Sell USD/Buy NTD	2023.11~2024.01	US\$ 1,000/NT\$ 31,345
<u>December 31, 2022</u>		
Sell RMB/Buy NTD	2022.08~2023.04	RMB 78,000/NT\$ 340,076
Sell USD/Buy NTD	2022.12~2023.03	US\$ 10,000/NT\$ 304,154

For transactions involving 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(14) for details on the relevant contract.

(9) Fair value hierarchy

A. Definition of fair value hierarchy

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

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

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

Level 3 inputs are unobservable inputs for the asset or liability

For assets and liabilities measured on 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.

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

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 on a recurring basis was disclosed as follows:

	Level 1	Level 2	Level 3	Total
<u>December 31, 2023</u>				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 4,867	\$ -	\$ 4,867
Stocks	27,754	-	-	27,754
Financial assets at fair value through other comprehensive income	426,661	-	-	426,661
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Embedded derivative instruments	-	-	1,556	1,556
<u>December 31, 2022</u>				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 189	\$ -	\$ 189
Stocks	26,736	-	-	26,736
Financial assets at fair value through other comprehensive income	255,689	-	-	255,689
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	4,339	-	4,339
Embedded derivative instruments	-	-	16,730	16,730

C. Transfers between Level 1 and Level 2 fair value hierarchy

For the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value hierarchy for assets and liabilities measured on a recurring basis.

D. Movements in Level 3 fair value hierarchy for items measured on a recurring basis

Reconciliation of Level 3 fair value hierarchy for assets and liabilities measured on a recurring basis was as follows:

	Liabilities At Fair Value through Profit or Loss
	Derivatives
January 1, 2023	\$ 16,730
Gains or losses recognized in 2023	
Recognized in profit or loss (under "other gains and losses")	(15,174)
December 31, 2023	\$ 1,556

(Continued)

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

	Liabilities
	At Fair Value through Profit or Loss
	Derivatives
January 1, 2022	\$ 5,836
Gains or losses recognized in 2022	
Recognized in profit or loss (under “other gains and losses”)	10,894
December 31, 2022	\$ 16,730

(Concluded)

E. Significant unobservable inputs for Level 3 fair value measurement

Significant unobservable inputs for recurring Level 3 fair value measurements of assets were as follows:

	Valuation Technique	Significant Unobservable Input	Quantitative Information	Relationship between Inputs and Fair Value	Sensitivity of Inputs to Fair Value
<u>December 31, 2023</u>					
Financial liabilities:					
At fair value through profit or loss					
Embedded derivative instruments	Binomial tree valuation model of convertible bonds	Volatility	15.76%	The higher the volatility, the higher the fair value estimates	A 5% increase/decrease in volatility could cause the profit or loss of the Company to increase/decrease by NT\$195 thousand
	Valuation Technique	Significant Unobservable Input	Quantitative Information	Relationship between Inputs and Fair Value	Sensitivity of Inputs to Fair Value
<u>December 31, 2022</u>					
Financial liabilities:					
At fair value through profit or loss					
Embedded derivative instruments	Binomial tree valuation model of convertible bonds	Volatility	18.45%	The higher the volatility, the higher the fair value estimates	A 5% increase/decrease in volatility could cause the profit or loss of the Company to increase by NT\$3,307 thousand /decrease by NT\$6,225 thousand

F. Valuation process for Level 3 fair value measurement

The valuation process for Level 3 fair value measurement involves having the finance department carries out independent fair value verification for financial instruments. Data from independent sources are used to deliver outcomes that reflect the market and are representative of the executable prices. Data sources are examined for independence, reliability and consistency with other resources while inputs and information for the valuation model are remeasured or reassessed periodically along with any other necessary fair value adjustments to ensure the measurements are reasonable.



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

(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, 2023			December 31, 2022		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 81,618	30.750	\$2,509,758	\$ 84,947	30.743	\$2,611,515
RMB	182,380	4.3333	790,306	146,542	4.4126	646,630
JPY	77,584	0.2175	16,874	137,203	0.2326	31,914
 <u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 24,106	30.750	\$ 741,253	\$ 15,715	30.743	\$ 483,112
RMB	4,791	4.3333	20,760	5,148	4.4126	22,716
JPY	127,276	0.2175	27,683	123,972	0.2326	28,836

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, 2023 and 2022, the Company's foreign exchange gain (loss) amounted to NT\$(43,149) thousand and NT\$261,467 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 payments to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) Information on significant transactions and investees

- A. Financing provided to others: Please refer to Table 1.
- B. Endorsement/guarantee provided to others: Please refer to Table 2.
- C. Marketable securities held as of December 31, 2023 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.
- D. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital: None.
- E. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital: None.

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

- F. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital: None.
  - G. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital: Please refer to Table 4.
  - H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital: Please refer to Table 5.
  - I. Direct or indirect significant influence or control over the investees (excluding investments in mainland China): Please refer to Table 6.
  - J. Derivative financial instrument transactions: Please refer to Note 12.
  - K. Others: intercompany relationships and significant intercompany transactions: Please refer to Table 8.
- (2) Information on investments in mainland China: Please refer to Table 7.
- (3) Information on major shareholders: Please refer to Table 9.

TABLE 1: FINANCING PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Financing Company	Borrower	Financial Statement Account (Note 2)	Whether A Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Note 10)	Amount Actually Drawn (Note 11)	Interest Rate Range	Nature of Financing (Note 4)	Transaction Amount (Note 5)	Reason for Short-term Financing (Note 6)	Loss Allowance	Collateral		Financing Limit for Individual Borrower	Limit on Total Financing Amount	Note
													Item	Value			
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Other receivables - related parties	Y	\$ 80,000	\$ -	\$ -	0.50%~2.00%	2	-	Operating capital	-	-	-	\$ 1,597,460	\$ 3,194,921	(Note 7)
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	259,440	246,000	-	1.70%~4.00%	2	-	Operating capital	-	-	-	1,597,460	3,194,921	(Note 7)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	161,430	-	-	1.70%~4.00%	2	-	Operating capital	-	-	-	1,597,460	3,194,921	(Note 7)
1	Kunshan Taiflex Electronic Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	88,960	88,666	-	2.00%~4.00%	2	-	Operating capital	-	-	-	781,917	781,917	(Note 9)
1	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	Other receivables - related parties	Y	622,720	606,662	519,996	2.00%~4.00%	2	-	Operating capital	-	-	-	781,917	781,917	(Note 9)
2	Koatech Technology Corporation	Kunshan Koatech Technology Corporation	Other receivables - related parties	Y	92,854	90,999	85,199	0.00%~4.00%	2	-	Operating capital	-	-	-	69,168	69,168	(Note 10)

Note 1: Companies are coded as follows:

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

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

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

Note 3: The maximum balance of financing provided to others for the year ended December 31, 2023.

Note 4: Nature of Financing is coded as follows:

(1) Business transaction is coded "1."

(2) Short-term financing is coded "2."

Note 5: If the nature of financing is business transaction, the transaction amount shall be disclosed. The transaction amount refers to the business transaction amount of the most recent year between the financing company and the borrower.

Note 6: With respect to short-term financing, the reasons of financing and the purpose of use by the borrower shall be specified, such as loan repayment, equipment acquisition or operating capital.

Note 7: The Company's "Procedures for Lending Funds to Other Parties" stipulates that the amount of financing provided shall not exceed 40% of the Company's net worth in the most recent financial statements. The amount of financing provided to a single entity shall not exceed 20% of the Company's net worth in the most recent financial statements.

Note 8: Total amount of financing to firms or companies having business relationship with the Company shall not exceed 20% of the Company's net worth. The financing amount to an individual party is limited to the transaction amount between both parties. The transaction amount means the purchase or sales amount between the parties, whichever is higher, and shall not exceed 10% of the Company's net worth. However, the lending amount to a single enterprise whose voting rights are 100% held, either directly or indirectly, by the Company shall not exceed 20% of the Company's net worth.

Note 9: For financing between offshore companies that the Company holds, either directly and indirectly, 100% of the voting rights, both the financing provided to a single entity and the total financing shall not exceed 100% of the financing company's net worth in the most recent financial statements.

Note 10: For financing to offshore companies that the financing company holds, either directly and indirectly, 100% of the voting rights, both the financing provided to a single entity and the total financing shall not exceed 40% of the financing company's net worth in the most recent financial statements audited or reviewed by CPAs. As the ending balance and amount actually drawn exceeded the limits, Koatech Technology Corporation had formulated an improvement plan in February 2024 and reported to the supervisors. The execution of the improvement plan would be monitored on a quarterly basis.

Note 11: If public companies, pursuant to Paragraph 1, Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, resolve each individual lending at the board meetings, the amounts resolved before drawdown shall be the publicly-announced balance to disclose the risk they assume; provided however, if any repayment is made subsequently, the outstanding balance after such repayment shall be disclosed to reflect the risk adjusted. If public companies, pursuant to Paragraph 2, Article 14 of the same Regulations, authorize the chairperson by board resolution, within a certain monetary limit and a period not to exceed one year, to give loans in instalments or to make a revolving credit line available, the amount resolved shall be the publicly-announced balance. Although repayments may be made subsequently, as drawdowns are likely to happen again, the amount of financing resolved by the board shall be recorded as the publicly-announced balance.

Note 12: This is the ending balance after evaluation.

TABLE 2: ENDORSEMENT/GUARANTEE PROVIDED TO OTHERS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to A Single Entity	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement/ Guarantee Secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed	Endorsement Provided by Parent Company to Subsidiaries (Note 7)	Endorsement Provided by Subsidiaries to Parent Company (Note 7)	Endorsement Provided to Subsidiaries in China (Note 7)	Note
		Name	Relationship (Note 2)											
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	2	\$ 3,993,651	\$551,310	\$519,675	\$ 2,970	\$ -	6.51%	\$ 3,993,651	Y	N	Y	(Note 3)
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Thailand) Co., Ltd.	2	3,993,651	486,450	461,250	2,091	-	5.77%		Y	N	N	
0	Taiflex Scientific Co., Ltd.	Taiflex Green Power Co., Ltd.	2	3,993,651	230,000	230,000	40,000	-	2.88%		Y	N	N	
1	Koatech Technology Corporation	Kunshan Koatech Technology Corporation	2	34,584	30,951	30,333	30,333	-	17.54%	86,460	N	N	Y	(Note 8)

Note 1: Companies are coded as follows:

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

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

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

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

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

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

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

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

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

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

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

Note 4: The maximum endorsement/guarantee balance for the year ended December 31, 2023.

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

Note 6: This is the ending balance after evaluation.

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

Note 8: The overall amount of guarantees/endorsements provided shall not exceed 50% of the endorsement/guarantee provider's net worth in the most recent financial statements. The amount of guarantees/endorsements provided to a single entity shall not exceed 20% of the endorsement/guarantee provider's net worth in the most recent financial statements.

TABLE 3: MARKETABLE SECURITIES HELD AS OF DECEMBER 31, 2023 (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

(In Thousands of New Taiwan Dollars)

Holder of Marketable Securities	Type of Marketable Securities (Note 1)	Name of Marketable Securities (Note 1)	Relationship with the Issuer (Note 2)	Financial Statement Account	December 31, 2023				Note
					Shares (In Thousands)	Carrying Amount (Note 3)	Ownership Percentage	Fair Value	
Taiflex Scientific Co., Ltd.	Non-listed (OTC) stocks	Exploit Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	25	\$ -	0.30%	\$ -	-
	Non-listed (OTC) stocks	Kyoritsu Optronics Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	741	-	18.10%	-	-
	Listed stocks	APAQ Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	6,139	426,661	6.90%	426,661	-
	Listed stocks	Zhen Ding Technology Holding Limited	-	Financial assets at fair value through profit or loss - current	255	27,754	0.03%	27,754	-

Note 1: Marketable securities stated in this table refer to stocks, bonds, beneficiary certificates and securities derived from the said items within the scope of IFRS 9 “Financial Instruments.”

Note 2: Not required if the issuer of the marketable securities is not a related party.

Note 3: If marketable securities are measured at fair value, please fill in the fair value after valuation adjustment, net of accumulated impairment. If marketable securities are not measured at fair value, please fill in the original cost or amortized cost, net of accumulated impairment.

TABLE 4: RELATED PARTY TRANSACTIONS WITH PURCHASE OR SALES AMOUNT OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note
			Sales (Purchases)	Amount	Percentage to Total Sales (Purchases)	Collection/ Payment Terms	Unit Price	Collection/ Payment Terms	Ending Balance	Percentage to Total Notes/Accounts Receivable (Payable)	
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	\$ 832,900	12.18%	Monthly settlement with payment in 180 days	-	-	\$ 449,522	17.11%	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	362,151	5.30%	Monthly settlement with payment in 90 days	-	-	136,002	5.18%	-
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Holds 100% of the third-tier subsidiary	Purchases	312,721	7.39%	Monthly settlement with payment in 180 days	-	-	(13,804)	(1.43%)	-
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	832,900	50.46%	Monthly settlement with payment in 180 days	-	-	(449,522)	(44.84%)	-
Shenzhen Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	Purchases	816,979	49.50%	Monthly settlement with payment in 180 days	-	-	(547,770)	(54.64%)	-
Kunshan Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	362,151	66.50%	Monthly settlement with payment in 90 days	-	-	(136,002)	(53.56%)	-
Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's ultimate parent company	Purchases	168,229	30.89%	Monthly settlement with payment in 180 days	-	-	(112,139)	(44.17%)	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	Sales	816,979	81.53%	Monthly settlement with payment in 180 days	-	-	547,770	81.26%	-
Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	The company's associate	Sales	168,229	16.79%	Monthly settlement with payment in 180 days	-	-	112,139	16.64%	-
Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Sales	312,721	92.50%	Monthly settlement with payment in 180 days	-	-	13,804	52.03%	-

Note 1: The sales prices and collection terms of sales to related parties are not significantly different from those of sales to non-related parties.

TABLE 5: RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Ratio (times)	Overdue		Amounts Received in Subsequent Periods	Lost Allowance	Note
					Amount	Action Taken			
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	\$ 449,522	1.83	\$ -	-	\$ 89,841	\$ -	-
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	136,002	3.30	-	-	-	-	-
Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	The company's associate	547,770	1.69	-	-	71,708	-	-
Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	The company's associate	112,139	1.53	-	-	18,899	-	-
Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	The company's associate	519,996	(Note 1)	-	-	-	-	-
Koatech Technology Corporation	Kunshan Koatech Technology Corporation	The company holds 100% of the third-tier subsidiary	116,699	0.36	80,866	Continued collection efforts	20,370	-	(Note 2)-
Koatech Technology Corporation	Kunshan Koatech Technology Corporation	The company holds 100% of the third-tier subsidiary	4,364	(Note 1)	-	-	-	-	-

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

Note 2: Past due receivables are reclassified as financing provided to others. Please refer to Table 1 for details.

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

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2023			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				December 31, 2023	December 31, 2022	Shares (In Thousands)	Ownership Percentage	Carrying Amount			
Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	Belize	Investment holding	\$ 704,536	\$ 704,536	21,825	100.00%	\$ 795,519	\$ (11,531)	\$ (11,531)	(Note 2)
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	525	(128)	(128)	-
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	320,761	320,761	16,124	52.97%	175,817	(132,365)	(70,114)	-
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	88,568	93,309	3,419	12.97%	15,152	(85,033)	(11,162)	-
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	519,027	490	11,558	(Note 2)
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	1,316,239	1,316,239	44,000	73.94%	1,472,206	1,877	1,387	(Note 2)
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	14,746	240	240	-
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	8,820	1	100.00%	10,965	669	669	-
Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	Taiwan	Manufacturing and selling of semiconductor materials	246,000	246,000	17,000	100.00%	291,960	59,615	59,662	(Note 1)
Taiflex Scientific Co., Ltd.	Taiflex Green Power Co., Ltd.	Taiwan	Generation and selling of electricity from renewables	50,000	50,000	5,000	100.00%	51,689	1,069	1,081	(Note 1)
Taiflex Scientific Co., Ltd.	Taiflex Scientific (Thailand) Co., Ltd.	Thailand	Manufacturing and selling of electronic materials	796,455	425,846	91,600	100.00%	816,689	(6,740)	(6,740)	-
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	26.06%	521,420	1,877	490	(Note 2)
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	683,946	21,170	100.00%	781,988	(9,432)	(9,432)	-
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	113,517	113,517	3,960	100.00%	44,317	(61,252)	(61,252)	-
KTC Global Co., Ltd.	KTC PanAsia Co., Ltd.	Samoa	Investment holding	113,368	113,368	3,955	100.00%	42,916	(61,252)	(61,252)	-

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

Note 2: Including unrealized gain/loss between companies.



TABLE 7: INFORMATION ON INVESTMENTS IN MAINLAND CHINA

(In Thousands of New Taiwan Dollars)

Investor	Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflows of Investment from Taiwan as of January 1, 2023	Investment Flows		Accumulated Outflows of Investment from Taiwan as of December 31, 2023	Profit/Loss of Investee	Ownership Percentage (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2023	Accumulated Inward Remittances of Earnings as of December 31, 2023
						Outflow	Inflow						
Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	Selling of chemical products, electronic materials and electronic components	\$767,141 (US\$24,000,000)	2	\$ 767,141	\$ -	\$ -	\$ 767,141	\$ (9,432)	100.00%	\$ (9,432)	\$ 781,917	\$ 135,257
	Rudong Fuzhan Scientific Co., Ltd.	Manufacturing and selling of electronic materials	\$1,316,239 (US\$44,000,000)	2	1,316,239	-	-	1,316,239	7,949	100.00%	1,719	1,285,281	-
	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	158	100.00%	158	721,425	-
Koatech Technology Corporation	Kunshan Koatech Technology Corporation	A wholesaler and a commission agent of electronic materials and components	\$113,219 (US\$3,950,000)	2	113,219	-	-	113,219	(61,252)	52.97%	(32,445)	22,740	-
Accumulated Outflows of Investment from Taiwan to Mainland China as of December 31, 2023					Investment Amounts Authorized by the Investment Commission, MOEA					Upper Limit of Investment			
Taiflex Scientific Co., Ltd.			\$2,562,540	\$2,580,303					(Note 3)				
Koatech Technology Corporation			\$113,219	\$140,222					\$103,752				

Note 1: The methods for investment in mainland China are categorized into the following three types. Please specify the type.

- (1) Direct investment in mainland China.
- (2) Investment in mainland China through companies in the third area.
- (3) Others.

Note 2: Significant transactions with the investees in China, either directly or indirectly through the third area, and the relevant prices, payment terms and unrealized gains or losses:

- (1) Purchase and ending balance of related payables and their weightings: see Table 4.
- (2) Sales and ending balance of related receivables and their weightings: see Tables 4 and 5.
- (3) The transaction amount and gain or loss arising from property transactions: N/A.
- (4) Ending balance of endorsements/guarantees or collateral provided and the purposes: see Table 2.
- (5) Maximum balance, ending balance, interest rate range and total interest of current period from financing provided to others: see Table 1.
- (6) Transactions that have significant impact on profit or loss of the current period or the financial position, such as services rendered or received: N/A.

Note 3: The Company received official documents issued by the Industrial Development Bureau, Ministry of Economic Affairs certifying the Company being qualified for operating headquarters. Thus, the limit stipulated in the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China" does not apply.

Note 4: The upper limit of investment is calculated as follows:

Koatech Technology Corporation: NT\$172,920 thousand  $\times$  60% = NT\$103,752 thousand

TABLE 8: INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount (Note 4)	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Sales revenue	\$ 832,900	General trading terms	10.22%
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	1	Accounts receivable	449,522	General trading terms	3.45%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Sales revenue	362,151	General trading terms	4.44%
0	Taiflex Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	1	Accounts receivable	136,002	General trading terms	1.04%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Accounts receivable	43,848	General trading terms	0.34%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Other receivables	37,629	General trading terms	0.29%
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	1	Sales revenue	80,714	General trading terms	0.99%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Sales revenue	25,780	General trading terms	0.32%
0	Taiflex Scientific Co., Ltd.	Taichem Materials Co., Ltd.	1	Other receivables	69,905	General trading terms	0.54%
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Thailand) Co., Ltd.	1	Other receivables	162,783	General trading terms	1.25%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Sales revenue	816,979	General trading terms	10.02%
1	Rudong Fuzhan Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	3	Accounts receivable	547,770	General trading terms	4.20%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Sales revenue	168,229	General trading terms	2.06%
1	Rudong Fuzhan Scientific Co., Ltd.	Kunshan Taiflex Electronic Co., Ltd.	3	Accounts receivable	112,139	General trading terms	0.86%
2	Kunshan Taiflex Electronic Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	3	Other receivables	519,996	Financing, with terms agreed by both parties	3.99%
3	Taichem Materials Co., Ltd.	Taiflex Scientific Co., Ltd.	2	Sales revenue	312,721	General trading terms	3.84%
4	Koatech Technology Corporation	Kunshan Koatech Technology Corporation	3	Other receivables	85,230	Financing, with terms agreed by both parties	0.65%
4	Koatech Technology Corporation	Kunshan Koatech Technology Corporation	3	Accounts receivable	35,833	General trading terms	0.27%

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

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

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

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

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

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

Note 4: Eliminated upon consolidation.

TABLE 9: INFORMATION ON MAJOR SHAREHOLDERS

(In Shares)

Name of Major Shareholder	Share	Total Shares Owned	Ownership Percentage
Chang Wah Electromaterials Inc.		20,928,000	10.00%
Qiao Mei Development Corporation		16,263,729	7.77%

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

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

TAIFLEX SCIENTIFIC COMPANY LIMITED  
1. STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Petty cash		\$ 150	
Cash on hand		183	
Subtotal		333	
Bank deposits:			
Checking & demand deposits in NTD		396,680	Exchange rate:
Demand deposits - USD	US\$ 11,178 thousand	343,708	30.7500
Demand deposits - JPY	JPY 77,484 thousand	16,853	0.2175
Demand deposits - HKD	HK\$ 7 thousand	26	3.9330
Demand deposits - RMB	RMB 27,680 thousand	119,947	4.3333
Subtotal		877,214	
Total		\$ 877,547	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
2. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE  
THROUGH PROFIT OR LOSS - CURRENT  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Name	Description	Number of Stocks	Fair Value		Note
			Unit Price	Total	
Listed stocks	Zhen Ding Technology Holding Limited	255 thousand	109.00	\$ 27,754	
Forward foreign exchange contract	Notional amount of RMB90,000 thousand/ NT\$392,334 thousand			4,179	
Forward foreign exchange contract	Notional amount of US\$1,000 thousand/ NT\$31,345 thousand			688	
				\$ 32,621	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
3. STATEMENT OF NOTES RECEIVABLE, NET  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Company A		\$ 214	
Company B		104	
Company C		84	
Company D		42	
Total		444	
Less: Loss allowance		-	
Net		\$ 444	

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

TAIFLEX SCIENTIFIC COMPANY LIMITED  
4. STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Company E		\$ 422,895	
Company F		229,216	
Company G		193,172	
Company H		171,295	
Company I		113,006	
Company J		112,876	
Company K		112,648	
Company L		104,333	
Company M		99,141	
Others (Note)		422,814	
Total		\$ 1,981,396	
Less: Loss allowance		(13,428)	
Net		\$ 1,967,968	

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

TAIFLEX SCIENTIFIC COMPANY LIMITED  
5. STATEMENT OF ACCOUNTS RECEIVABLE - RELATED PARTIES  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Shenzhen Taiflex Electronic Co., Ltd.		\$ 449,522	
Kunshan Taiflex Electronic Co., Ltd.		136,002	
Rudong Fuzhan Scientific Co., Ltd.		43,848	
Taiflex Scientific (Thailand) Co., Ltd.		15,966	
Others		106	
Total		<u>645,444</u>	
Less: Loss allowance		-	
Net		<u><u>\$ 645,444</u></u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
6. STATEMENT OF OTHER RECEIVABLES  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Income tax refund receivable	Business tax refund receivable	\$ 20,643	
Other receivables	Receivables from supplementary orders and utility fees	5,082	
Earned revenue receivable	Estimated interest income from time deposits	39	
Total		<u><u>\$ 25,764</u></u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
7. STATEMENT OF OTHER RECEIVABLES - RELATED PARTIES  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Taiflex Scientific (Thailand) Co., Ltd.	Purchase of machinery and equipment	\$ 162,783	
Taichem Materials Co., Ltd.	Mainly items purchased on behalf of others	69,905	
Rudong Fuzhan Scientific Co., Ltd.	Items purchased on behalf of others	37,629	
Others		34	
Total		<u><u>\$ 270,351</u></u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
8. STATEMENT OF INVENTORIES  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Cost	Net Realizable Value	Note
Raw materials	\$ 572,093	\$ 626,547	
Inventories in transit	27,449	-	
Supplies	7,262	11,209	
Work in progress	31,933	54,185	
Finished goods	351,775	420,180	
Merchandise	2,081	3,328	
Total	<u>\$ 992,593</u>		

TAIFLEX SCIENTIFIC COMPANY LIMITED  
9. STATEMENT OF PREPAYMENTS  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Prepaid expenses		\$ 14,558	
Prepayment for purchases		1,535	
Overpaid sales tax		1,000	
Other prepayments	Trademark and patent applications	1,188	
Others (Note)		85	
Total		<u>\$ 18,366</u>	

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

TAIFLEX SCIENTIFIC COMPANY LIMITED  
10. STATEMENT OF OTHER CURRENT ASSETS  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Other financial assets		\$ 20,153	
Temporary payments		2,180	
Others (Note)		14	
Total		<u>\$ 22,347</u>	

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

TAIFLEX SCIENTIFIC COMPANY LIMITED  
11. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH  
OTHER COMPREHENSIVE INCOME - NON-CURRENT  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Name	Description	Number of Stocks	Fair Value		Note
			Unit Price	Total	
Listed stocks	APAQ Technology Co., Ltd.	6,139 thousand	69.50	\$ 426,661	



TAIFLEX SCIENTIFIC COMPANY LIMITED  
12. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Investee	Beginning Balance		Increase		Decrease		Share of Profit/Loss of Investee	Exchange Differences Arising on Translation of Foreign Operations	Ending Balance			Market Value or Net Equity Value	Valuation Basis	Collateral/Pledge	Note
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Ownership Percentage	Amount				
Taistar Co., Ltd.	21,825,000	\$ 820,617	-	\$ 739	-	\$ -	\$ (11,531)	\$ (14,306)	21,825,000	100.00%	\$ 795,519	\$ 795,519	Equity method	None	(Note 1)
Leadmax Limited	10,000	651	-	-	-	-	(128)	2	10,000	100.00%	525	525	Equity method	None	
Innovision FlexTech Corp.	3,601,794	27,508	-	-	(183,000)	(1,194)	(11,162)	-	3,418,794	12.97%	15,152	33,846	Equity method	None	(Note 2)
Koatech Technology Corp.	16,123,687	246,458	-	-	-	-	(70,114)	(527)	16,123,687	52.97%	175,817	175,817	Equity method	None	
TFS Co., Ltd.	15,520,000	507,363	-	9,647	-	-	11,558	(9,541)	15,520,000	100.00%	519,027	519,027	Equity method	None	(Note 3)
Richstar Co., Ltd.	44,000,000	1,504,884	-	-	-	(6,998)	1,387	(27,067)	44,000,000	73.94%	1,472,206	1,472,206	Equity method	None	(Note 4)
Taiflex Scientific Japan Co., Ltd.	6,000	15,519	-	-	-	-	240	(1,013)	6,000	100.00%	14,746	14,746	Equity method	None	
Taiflex USA Corporation	1,000	10,303	-	-	-	-	669	(7)	1,000	100.00%	10,965	10,965	Equity method	None	
Taichem Materials Co., Ltd.	17,000,000	231,455	-	843	-	-	59,662	-	17,000,000	100.00%	291,960	291,960	Equity method	None	(Note 5)
Taiflex Green Power Co., Ltd.	5,000,000	50,608	-	-	-	-	1,081	-	5,000,000	100.00%	51,689	51,689	Equity method	None	
Taiflex Scientific (Thailand) Co., Ltd.	49,671,000	432,220	41,929,000	370,609	-	-	(6,740)	20,600	91,600,000	100.00%	816,689	816,689	Equity method	None	(Note 6)
Subtotal		\$ 3,847,586		\$ 381,838		\$ (8,192)	\$ (25,078)	\$ (31,859)			\$ 4,164,295				
Less: Accumulated impairment		-		-		-	-	-			-				
Net		\$ 3,847,586		\$ 381,838		\$ (8,192)	\$ (25,078)	\$ (31,859)			\$ 4,164,295				

Note 1: The increase was a result of downstream transactions between subsidiaries of NT\$739 thousand.

Note 2: The decrease was a result of disposal of subsidiaries' shares of NT\$1,268 thousand and adjustment for non-proportional share subscription of NT\$74 thousand.

Note 3: The increase was a result of downstream transactions between subsidiaries of NT\$9,647 thousand.

Note 4: The decrease was a result of downstream transactions between subsidiaries of NT\$6,998 thousand.

Note 5: The increase was a result of subsidiaries' compensation costs of employee stock options of NT\$843 thousand.

Note 6: The increase was a result of an increase in investment of NT\$370,609 thousand.

TAIFLEX SCIENTIFIC COMPANY LIMITED  
13. STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes			Ending Balance	Collateral/ Pledge
		Addition	Disposal	Reclassification		
Original cost						
Buildings	\$ 1,091,208	\$ 110,435	\$ (720)	\$ -	\$ 1,200,923	A part of property, plant and equipment, such as buildings, is pledged as collateral.
Machinery and equipment	2,840,121	321,069	(171,062)	-	2,990,128	
Hydropower equipment	402,893	8,694	(7,903)	-	403,684	
Testing equipment	303,838	4,524	(149)	-	308,213	
Miscellaneous equipment	209,912	30,296	(1,033)	-	239,175	
Subtotal	4,847,972	475,018	(180,867)	-	5,142,123	
Construction in progress and equipment awaiting inspection	455,462	55,433	-	(10,069)	500,826	
Total cost	<u>\$ 5,303,434</u>	<u>\$ 530,451</u>	<u>\$ (180,867)</u>	<u>\$ (10,069)</u>	<u>\$ 5,642,949</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
14. STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF  
PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes			Ending Balance	Note
		Increase	Decrease	Reclassification		
Buildings	\$ 393,093	\$ 53,445	\$ (720)	\$ -	\$ 445,818	
Machinery and equipment	1,972,304	172,039	(1,708)	-	2,142,635	
Hydropower equipment	266,884	16,804	(7,903)	-	275,785	
Testing equipment	187,584	24,443	(149)	-	211,878	
Miscellaneous equipment	148,908	18,296	(1,033)	-	166,171	
Total accumulated depreciation	<u>\$ 2,968,773</u>	<u>\$ 285,027</u>	<u>\$ (11,513)</u>	<u>\$ -</u>	<u>\$ 3,242,287</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
15. STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes				Ending Balance	Note
		Addition	Disposal	Remeasurement of Lease Liabilities	Reclassification		
Original cost							
Right-of-use assets - Land	\$250,996	\$ -	\$ -	\$ -	\$ -	\$ 250,996	
Right-of-use assets - Transportation equipment	22,880	10,964	(4,648)	-	-	29,196	
Total costs	<u>\$273,876</u>	<u>\$ 10,964</u>	<u>\$ (4,648)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,192</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
16. STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF  
RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes				Ending Balance	Note
		Addition	Disposal	Remeasurement of Lease Liabilities	Reclassification		
Right-of-use assets - Land	\$ 24,425	\$ 6,105	\$ -	\$ -	\$ -	\$ 30,530	
Right-of-use assets - Transportation equipment	8,264	6,703	(3,793)	-	-	11,174	
Total accumulated depreciation	<u>\$ 32,689</u>	<u>\$ 12,808</u>	<u>\$ (3,793)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,704</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
17. STATEMENT OF CHANGES IN INTANGIBLE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Addition	Reclassification	Ending Balance	Note
Original cost					
Trademarks	\$ 691	\$ -	\$ -	\$ 691	
Patents	18,768	243	-	19,011	
Computer software	237,643	-	8,680	246,323	
Total	<u>\$ 257,102</u>	<u>\$ 243</u>	<u>\$ 8,680</u>	<u>\$ 266,025</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
18. STATEMENT OF CHANGES IN ACCUMULATED AMORTIZATION  
OF INTANGIBLE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Increase	Reclassification	Ending Balance	Note
Trademarks	\$ 534	\$ 49	\$ -	\$ 583	
Patents	12,177	752	-	12,929	
Computer software	154,613	20,532	-	175,145	
Total	<u>\$ 167,324</u>	<u>\$ 21,333</u>	<u>\$ -</u>	<u>\$ 188,657</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
19. STATEMENT OF OTHER NON-CURRENT ASSETS  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Refundable deposits	1. Security deposit for car leases	\$ 4,185	
	2. Construction bonds	1,700	
	3. Others (Note)	644	
		\$ 6,529	

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

TAIFLEX SCIENTIFIC COMPANY LIMITED  
20. STATEMENT OF FINANCIAL LIABILITIES AT FAIR VALUE  
THROUGH PROFIT OR LOSS - CURRENT  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Name	Description	Number of Stocks	Fair Value		Note
			Unit Price	Total	
Convertible bonds - put options				\$ 1,556	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
21. STATEMENT OF ACCOUNTS PAYABLES  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Company N		\$ 432,860	
Company O		103,092	
Company Q		72,117	
Company R		55,860	
Others (Note)		270,787	
Total		<u>\$ 934,716</u>	

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

TAIFLEX SCIENTIFIC COMPANY LIMITED  
22. STATEMENT OF ACCOUNTS PAYABLE – RELATED PARTIES  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Taichem Materials Co., Ltd.		\$ 13,804	
Rudong Fuzhan Scientific Co., Ltd.		12,664	
Kunshan Taiflex Electronic Co., Ltd.		6,999	
Total		<u>\$ 33,467</u>	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
23. STATEMENT OF OTHER PAYABLES  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Bonus payables	Year-end and performance bonuses	\$ 167,454	
Equipment payables		70,796	
Employee compensation payables		41,163	
Others (Note)		231,920	
Total		\$ 511,333	

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

TAIFLEX SCIENTIFIC COMPANY LIMITED  
24. STATEMENT OF OTHER PAYABLES - RELATED PARTIES  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Taiflex USA Corporation		\$ 9,715	
Taiflex Scientific Japan Co., Ltd.		5,273	
Koatech Technology Corporation		3,564	
SINYA Digital Co., Ltd.		1,366	
Innatech Co., Ltd.		431	
Total		\$ 20,349	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
25. STATEMENT OF BONDS PAYABLE  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Name	Trustee	Issuance Date	Interest Payment Date	Coupon Rate	Amount					Repayment	Collateral	Note
					Total Amount	Repayment Paid/Converted	Ending Balance	Unamortized Premiums (Discounts)	Carrying Amount			
Overseas unsecured convertible corporate bonds	KGI Securities	2021.11.30	-	0.00%	\$ 1,945,300	-	\$ 1,945,300	\$ (53,799)	\$ 1,891,501	(Note 2)	None	(Note 1)
Less: Current portion									(1,891,501)			
Net									\$ -			

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

Note 2: The bonds are converted into U.S. dollars equivalent to the New Taiwan dollar 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 (US\$1.00 = NT\$27.79).

TAIFLEX SCIENTIFIC COMPANY LIMITED  
26. STATEMENT OF LONG-TERM LOANS  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Bank	Type	Amount	Current Portion	Net	Contract Term	Interest Rate	Collateral	Repayment
Export-Import Bank of the Republic of China	Medium to long-term credit loan	\$ 200,000	\$ -	\$ 200,000	2023.08.04-2029.08.04	1.7165%	None	2023.08.04~2029.08.04, non-revolving for six years from the initial drawdown date, principal to be repaid in 8 equal semiannual installments after the grace period of 30 months with quarterly interest payment
Total		<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>				



TAIFLEX SCIENTIFIC COMPANY LIMITED  
27. STATEMENT OF LEASE LIABILITIES  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Description	Lease Term	Discount Rate	Ending Balance	Note
Land Transportation equipment		2016.01.01-2067.12.31	1.7970%	\$ 229,342	
		2018.10.16-2028.11.28	1.0511%~1.9405%	18,155	
			Total	\$ 247,497	
			Current portion of lease liabilities	(11,009)	
			Lease liabilities - non-current	\$ 236,488	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
28. STATEMENT OF OTHER CURRENT LIABILITIES  
DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Amount	Note
Receipts under custody	\$ 3,065	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
29. STATEMENT OF NET DEFINED BENEFIT LIABILITIES - NON-CURRENT  
FOR THE YEAR ENDED DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Amount	Note
Beginning balance	\$ 179,147	
Expenses incurred	8,097	
Contributions	(26,468 )	
Actuarial gains or losses	(28,134 )	
Ending balance	\$ 132,642	

TAIFLEX SCIENTIFIC COMPANY LIMITED  
30. STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Quantity	Amount
Electronic materials	28,129,488	\$ 6,565,047
Others (Note)	49,451	385,899
Total		6,950,946
Less: Sales returns and discounts and allowances	(26,667 )	(113,269 )
Net		\$ 6,837,677

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

TAIFLEX SCIENTIFIC COMPANY LIMITED  
31. STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Amount
<b>Manufacturing:</b>	
Raw materials, beginning balance	\$ 917,389
Add: Purchases	3,892,434
Less: Raw materials, ending balance	(719,857)
Others	(225,671)
Sale of raw materials	(1,824)
Scrapped	(3,865)
Raw materials used	<u>3,858,606</u>
Direct labor	272,328
Manufacturing overhead	<u>957,412</u>
Total manufacturing cost	5,088,346
Add: Work in progress, beginning balance	15,658
Less: Work in progress, ending balance	(33,743)
Others	-
Cost of finished goods	5,070,261
Add: Finished goods, beginning balance	490,495
Purchases	338,058
Less: Finished goods, ending balance	(421,099)
Others	(119,771)
Scrapped	(21,661)
Total cost of production and sales	<u>5,336,283</u>
<b>Trading:</b>	
Merchandise, beginning balance	10,666
Add: Purchases	22,130
Less: Merchandise, ending balance	(4,387)
Others	(11,112)
Scrapped	(302)
Cost of goods sold	<u>5,353,278</u>
Others	<u>18,627</u>
Total operating costs	<u><u>\$ 5,371,905</u></u>

TAIFLEX SCIENTIFIC COMPANY LIMITED  
32. STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Sales and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Payroll	\$ 43,921	\$ 161,113	\$ 87,364	\$ 292,398
Research and experiment	-	-	141,663	141,663
Export	125,880	-	-	125,880
Sample submission	58,005	-	-	58,005
Others (Note)	74,372	164,667	85,785	324,824
Total	<u>\$ 302,178</u>	<u>\$ 325,780</u>	<u>\$ 314,812</u>	<u>\$ 942,770</u>

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

TAIFLEX SCIENTIFIC COMPANY LIMITED  
33. STATEMENT OF NON-OPERATING INCOME AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023

In Thousands of New Taiwan Dollars

Item	Amount
Interest income	\$ 17,384
Dividend income	15,648
Rental income	4,904
Miscellaneous income	22,245
Total other income	42,797
Gain on disposal of investments accounted for using the equity method	807
Foreign exchange loss, net	(43,149)
Net gain on financial assets and liabilities at fair value through profit or loss	5,200
Other losses	(860)
Total other gains and losses	(38,002)
Finance costs	(25,026)
Share of profit or loss of subsidiaries and associates accounted for using the equity method	(25,078)
Total non-operating income and expenses	\$ (27,925)

TAIFLEX Scientific Co., Ltd.

Chairperson: Ta-Wen Sun