

**CHIEFTEK PRECISION CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2021 AND 2020**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of CHIEFTEK PRECISION CO., LTD.

Introduction

We have reviewed the accompanying consolidated balance sheets of CHIEFTEK PRECISION CO., LTD. and subsidiaries (the "Group") as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

As explained in Note 4(3), the financial statements and related information disclosed in Note 13 of insignificant consolidated subsidiaries were not reviewed by independent auditors. Those statements reflect total assets of NT\$271,092 thousand and NT\$274,928 thousand, constituting 7% and 8% of the consolidated total assets, and total liabilities of NT\$84,304 thousand and NT\$79,109 thousand, constituting 6% and 5% of the consolidated total liabilities as of September 30, 2021 and 2020, respectively, and total comprehensive income of NT\$5,907 thousand, NT\$4,833 thousand, NT\$27,702 thousand and NT\$10,636 thousand, constituting 6%, 10%, 12% and 8% of the consolidated total

comprehensive income for the three-month and nine-month periods then ended, respectively.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent auditors as described in the Basis for qualified conclusion section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2021 and 2020, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Lin, Yung-Chih

Independent Auditors

Tien, Chung-Yu

PricewaterhouseCoopers, Taiwan

Republic of China

November 5, 2021

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors’ report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Assets	Notes	September 30, 2021		December 31, 2020		September 30, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 792,145	21	\$ 654,597	19	\$ 673,191	19
1136	Financial assets at amortized cost -	6(2)						
	current		70,826	2	7,360	-	7,502	-
1150	Notes receivable, net	6(3)	31,540	1	27,767	1	28,339	1
1170	Accounts receivable, net	6(3) and 12	429,038	12	344,675	10	345,338	10
1200	Other receivables		5,341	-	9,515	-	2,970	-
1220	Current income tax assets	6(23)	-	-	20,398	-	33,121	1
130X	Inventories	5 and 6(4)	455,639	12	556,943	16	593,523	17
1410	Prepayments		44,874	1	36,049	1	38,108	1
11XX	Total current assets		<u>1,829,403</u>	<u>49</u>	<u>1,657,304</u>	<u>47</u>	<u>1,722,092</u>	<u>49</u>
Non-current assets								
1600	Property, plant and equipment	6(5) and 8	1,617,737	43	1,532,120	44	1,474,516	41
1755	Right-of-use assets	6(6)	124,933	3	129,601	4	131,157	4
1780	Intangible assets	6(7)	94,499	2	101,595	3	112,996	3
1840	Deferred income tax assets	6(23)	20,043	1	25,160	1	24,480	1
1915	Prepayments for equipment	6(5)	57,368	2	48,474	1	62,031	2
1920	Guarantee deposits paid		8,919	-	9,775	-	7,567	-
1990	Other non-current assets		3,355	-	5,312	-	5,437	-
15XX	Total non-current assets		<u>1,926,854</u>	<u>51</u>	<u>1,852,037</u>	<u>53</u>	<u>1,818,184</u>	<u>51</u>
1XXX	Total assets		<u>\$ 3,756,257</u>	<u>100</u>	<u>\$ 3,509,341</u>	<u>100</u>	<u>\$ 3,540,276</u>	<u>100</u>

(Continued)

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity		Notes	September 30, 2021		December 31, 2020		September 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Liabilities								
Current liabilities								
2100	Short-term borrowings	6(8)(26)	\$ 370,000	10	\$ 379,012	11	\$ 420,442	12
2110	Short-term notes and bills payable	6(9)(26)	-	-	-	-	40,000	1
2130	Current contract liabilities	6(16)	2,330	-	4,807	-	3,944	-
2150	Notes payable		177,006	5	77,992	2	84,501	2
2170	Accounts payable		55,402	1	49,211	2	22,825	1
2200	Other payables	6(10)	176,175	5	110,835	3	130,204	4
2230	Current income tax liabilities	6(23)	17,867	-	3,848	-	4,687	-
2280	Current lease liabilities	6(6)(20)(26)	5,284	-	5,214	-	5,190	-
2320	Long-term liabilities, current portion	6(11)(26), 8 and 9	71,933	2	94,658	3	88,164	3
21XX	Total current liabilities		<u>875,997</u>	<u>23</u>	<u>725,577</u>	<u>21</u>	<u>799,957</u>	<u>23</u>
Non-current liabilities								
2540	Long-term borrowings	6(11)(26), 8 and 9	504,423	14	517,984	15	534,412	15
2570	Deferred income tax liabilities	6(23)	20,475	1	18,973	-	16,597	-
2580	Non-current lease liabilities	6(6)(20)(26)	122,613	3	126,586	4	127,898	4
2640	Net defined benefit liabilities	6(12)	6,941	-	7,163	-	6,441	-
25XX	Total non-current liabilities		<u>654,452</u>	<u>18</u>	<u>670,706</u>	<u>19</u>	<u>685,348</u>	<u>19</u>
2XXX	Total liabilities		<u>1,530,449</u>	<u>41</u>	<u>1,396,283</u>	<u>40</u>	<u>1,485,305</u>	<u>42</u>
Equity								
Share capital								
3110	Common stock	6(13)	811,876	21	811,876	23	811,876	23
Capital reserves								
3200	Capital surplus	6(14)	440,667	12	440,667	12	440,667	12
Retained earnings								
3310	Legal reserve	6(15)	182,266	5	162,016	5	162,016	5
3320	Special reserve		36,323	1	29,394	1	29,394	1
3350	Unappropriated retained earnings		831,078	22	731,978	21	674,568	19
3400	Other equity interest		(49,852)	(1)	(36,323)	(1)	(37,000)	(1)
3500	Treasury stocks	6(13)	(26,550)	(1)	(26,550)	(1)	(26,550)	(1)
3XXX	Total equity		<u>2,225,808</u>	<u>59</u>	<u>2,113,058</u>	<u>60</u>	<u>2,054,971</u>	<u>58</u>
Significant Contingent Liabilities and 6(6) and 9 Unrecognized Contract Commitments								
3X2X	Total liabilities and equity		<u>\$ 3,756,257</u>	<u>100</u>	<u>\$ 3,509,341</u>	<u>100</u>	<u>\$ 3,540,276</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2021		2020		2021		2020	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(16)	\$ 491,846	100	\$ 347,443	100	\$ 1,400,269	100	\$ 1,029,218	100
5000 Operating costs	6(4)(12)(21)(2) 2)	(289,656)	(59)	(209,549)	(60)	(814,454)	(58)	(600,646)	(58)
5900 Net operating margin		202,190	41	137,894	40	585,815	42	428,572	42
Operating expenses	6(7)(12)(21)(2) 2) and 7								
6100 Selling expenses		(23,081)	(5)	(23,340)	(7)	(68,426)	(5)	(67,303)	(7)
6200 General and administrative expenses		(28,629)	(6)	(36,072)	(10)	(106,954)	(8)	(115,118)	(11)
6300 Research and development expenses		(17,024)	(3)	(18,241)	(5)	(60,439)	(4)	(53,603)	(5)
6450 Expected credit impairment (loss) gain	12	(1,499)	-	5,492	1	3,772	-	1,695	-
6000 Total operating expenses		(70,233)	(14)	(72,161)	(21)	(232,047)	(17)	(234,329)	(23)
6900 Operating profit		131,957	27	65,733	19	353,768	25	194,243	19
Non-operating income and expenses									
7100 Interest income	6(2)(17)	880	-	363	-	1,475	-	1,610	-
7010 Other income	6(18)	1,885	1	2,343	1	8,679	1	8,602	1
7020 Other gains and losses	6(19) and 12	(4,408)	(1)	(3,249)	(1)	(20,358)	(1)	(6,591)	(1)
7050 Finance costs	6(6)(20)	(3,650)	(1)	(4,060)	(1)	(10,801)	(1)	(13,098)	(1)
7000 Total non-operating income and expenses		(5,293)	(1)	(4,603)	(1)	(21,005)	(1)	(9,477)	(1)
7900 Profit before income tax		126,664	26	61,130	18	332,763	24	184,766	18
7950 Income tax expense	6(23)	(29,006)	(6)	(14,202)	(4)	(85,370)	(6)	(39,681)	(4)
8200 Profit for the period		\$ 97,658	20	\$ 46,928	14	\$ 247,393	18	\$ 145,085	14
Other comprehensive income (loss) (Net)									
Components of other comprehensive income (loss) that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		(\$ 1,760)	-	\$ 1,735	-	(\$ 13,529)	(1)	(\$ 7,606)	(1)
8300 Total other comprehensive income (loss) for the period		(\$ 1,760)	-	\$ 1,735	-	(\$ 13,529)	(1)	(\$ 7,606)	(1)
8500 Total comprehensive income for the period		\$ 95,898	20	\$ 48,663	14	\$ 233,864	17	\$ 137,479	13
Earnings per share (in dollars)	6(24)								
9750 Basic		\$ 1.21		\$ 0.58		\$ 3.06		\$ 1.79	
9850 Diluted		\$ 1.20		\$ 0.58		\$ 3.05		\$ 1.79	

The accompanying notes are an integral part of these consolidated financial statements.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	Share capital - common stock	Capital reserve	Retained Earnings			Other Equity Interest	Treasury stocks	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		
<u>For the nine-month period ended</u>									
<u>September 30, 2020</u>									
Balance at January 1, 2020		\$ 811,876	\$ 440,667	\$ 144,552	\$ 17,047	\$ 640,037	(\$ 29,394)	\$ -	\$ 2,024,785
Profit for the period		-	-	-	-	145,085	-	-	145,085
Other comprehensive loss for the period		-	-	-	-	-	(7,606)	-	(7,606)
Total comprehensive income (loss) for the period		-	-	-	-	145,085	(7,606)	-	137,479
Appropriations of 2019 earnings									
Legal reserve		-	-	17,464	-	(17,464)	-	-	-
Special reserve	6(15)	-	-	-	12,347	(12,347)	-	-	-
Cash dividends	6(15)	-	-	-	-	(80,743)	-	-	(80,743)
Purchase of treasury stocks	6(13)	-	-	-	-	-	-	(26,550)	(26,550)
Balance at September 30, 2020		\$ 811,876	\$ 440,667	\$ 162,016	\$ 29,394	\$ 674,568	(\$ 37,000)	(\$ 26,550)	\$ 2,054,971
<u>For the nine-month period ended</u>									
<u>September 30, 2021</u>									
Balance at January 1, 2021		\$ 811,876	\$ 440,667	\$ 162,016	\$ 29,394	\$ 731,978	(\$ 36,323)	(\$ 26,550)	\$ 2,113,058
Profit for the period		-	-	-	-	247,393	-	-	247,393
Other comprehensive loss for the period		-	-	-	-	-	(13,529)	-	(13,529)
Total comprehensive income (loss) for the period		-	-	-	-	247,393	(13,529)	-	233,864
Appropriations of 2020 earnings									
Legal reserve		-	-	20,250	-	(20,250)	-	-	-
Special reserve	6(15)	-	-	-	6,929	(6,929)	-	-	-
Cash dividends	6(15)	-	-	-	-	(121,114)	-	-	(121,114)
Balance at September 30, 2021		\$ 811,876	\$ 440,667	\$ 182,266	\$ 36,323	\$ 831,078	(\$ 49,852)	(\$ 26,550)	\$ 2,225,808

The accompanying notes are an integral part of these consolidated financial statements.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	For the nine-month periods ended September 30,	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 332,763	\$ 184,766
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment gain	12	(3,772)	(1,695)
Loss on inventory market price decline	6(4)	677	10,838
Depreciation	6(5)(6)(21)	58,296	59,026
Gain arising from lease modifications	6(6)(19)	-	(251)
Amortization	6(7)(21)	7,959	8,461
Interest income	6(17)	(1,475)	(1,610)
Interest expense	6(20)	10,801	13,098
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(3,773)	(780)
Accounts receivable		(79,755)	(44,765)
Other receivables		4,174	282
Inventories		102,559	32,873
Prepayments		(8,825)	(9,570)
Changes in operating liabilities			
Current contract liabilities		(2,477)	(20)
Notes payable		67,001	22,196
Accounts payable		6,191	4,114
Other payables		66,337	18,360
Advance receipts		-	(1,699)
Net defined benefit liabilities		(222)	(223)
Cash inflow generated from operations		556,459	293,401
Interest received		1,475	1,610
Interest paid		(10,864)	(13,310)
Income tax paid		(44,334)	(69,857)
Net cash flows from operating activities		<u>502,736</u>	<u>211,844</u>

(Continued)

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	<u>For the nine-month periods ended September 30,</u>	
		<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in financial assets at amortized cost - current		(\$ 63,466)	\$ 127
Cash paid for acquisition of property, plant and equipment	6(25)	(99,336)	(254,862)
Acquisition of intangible assets	6(7)	(878)	(459)
Increase in prepayments for equipment		(21,897)	(33,141)
Decrease in guarantee deposits paid		856	133
Decrease (increase) in other non-current assets		<u>1,957</u>	<u>(2,558)</u>
Net cash flows used in investing activities		<u>(182,764)</u>	<u>(290,760)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(26)	(8,136)	106,900
Increase in short-term notes and bills payable	6(26)	-	40,000
Payments of lease liability	6(26)	(3,903)	(3,581)
Increase in long-term borrowings	6(26)	100,000	400,000
Decrease in long-term borrowings	6(26)	(134,410)	(357,199)
Payments of cash dividends	6(15)	(121,114)	(80,743)
Purchase of treasury stocks	6(13)	<u>-</u>	<u>(26,550)</u>
Net cash flows (used in) from financing activities		<u>(167,563)</u>	<u>78,827</u>
Effect of foreign exchange rate changes on cash and cash equivalents		<u>(14,861)</u>	<u>(4,854)</u>
Net increase (decrease) in cash and cash equivalents		137,548	(4,943)
Cash and cash equivalents at beginning of period	6(1)	<u>654,597</u>	<u>678,134</u>
Cash and cash equivalents at end of period	6(1)	<u>\$ 792,145</u>	<u>\$ 673,191</u>

The accompanying notes are an integral part of these consolidated financial statements.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

- (1) CHIEFTEK PRECISION CO., LTD. (the “Company”) was incorporated on October 19, 1998 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) and other related regulations. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the research, development, manufacture and sale of miniature linear guides, miniature ball screws, miniature linear modules, electro-optics equipment and semiconductor process equipment.
- (2) The common stocks of the Company were originally listed on the Taipei Exchange from December 28, 2012, and have been authorized to trade in Taiwan Stock Exchange since December 23, 2020.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on November 5, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board (“IASB”)</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform – Phase 2’	January 1, 2021
Amendments to IFRS 16, ‘Covid-19-related rent concessions beyond June 30, 2021’	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to 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
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, 'Interim financial reporting' endorsed by the FSC.

(2) Basis of preparation

A. Except for the defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, 'Critical accounting judgments, estimates and key sources of assumption uncertainty'.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
CHIEFTEK PRECISION CO., LTD. (“CHIEFTEK PRECISION”)	CHIEFTEK PRECISION HOLDING CO., LTD.	Professional investment	100	100	100	-
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION INTERNATIONAL LLC	Lease of real estate property	100	100	100	Note 1
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION USA CO., LTD. (“cpc USA”)	Sale of high precision linear motion components and rendering after-sales service	100	100	100	Note 1
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH (“cpc Europa”)	Sale of high precision linear motion components and rendering after-sales service	100	100	100	-
CHIEFTEK PRECISION CO., LTD.	CSM Maschinen GmbH	Research, manufacture and sale of machineries	-	-	100	Note 2 Note 3

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
CHIEFTEK PRECISION HOLDING CO., LTD.	CHIEFTEK PRECISION (Hong Kong) Co., Limited	Professional investment	100	100	100	-
CHIEFTEK PRECISION HOLDING CO., LTD.	Chieftek Machinery (Kunshan) Co., Ltd. (“Chieftek (Kunshan)”)	Production, processing and sale of high precision linear motion components and after-sales service	100	-	-	Note 4
CHIEFTEK PRECISION (Hong Kong) Co., Limited	Chieftek Machinery (Kunshan) Co., Ltd. (“Chieftek (Kunshan)”)	Production, processing and sale of high precision linear motion components and after-sales service	-	100	100	Note 4

Note 1: The financial statements of the entity as of and for the nine-month periods ended September 30, 2021 and 2020 were not reviewed by independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 2: The financial statements of the entity as of and for the nine-month period ended September 30, 2020 were not reviewed by independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 3: CSM Machinen GmbH was merged into cpc Europa GmbH with the approval of the local authority since 2020.

Note 4: On August 31, 2021, the Group has commenced organizational restructuring through capital reduction and withdrawal of 100% share capital of Chieftek Machinery (Kunshan) Co., Ltd. from CHIEFTEK PRECISION (Hong Kong) Co., Limited and transferred the shares to CHIEFTEK PRECISION HOLDING CO., LTD..

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interest that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the

currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are

classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within 12 months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within 12 months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. 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.

(6) Cash equivalents

- A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.
- B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For debt instruments measured as financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses ("ECLs") if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On

the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expires.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventory is lower than net realizable value, a write-down is provided and recognized in operating costs. If the circumstances that caused the write-down cease to exist, such that all or part of the write-down is no longer needed, it should be reversed to that extent and recognized as deduction of operating costs.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Assets	Useful lives
Buildings and structures	3 ~ 50 years
Machinery and equipment	2 ~ 15 years
Transportation equipment	3 ~ 10 years
Office equipment	1 ~ 10 years
Leasehold improvements	2 ~ 15 years
Other equipment	2 ~ 10 years

(13) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Amounts expected to be payable by the lessee under residual value guarantees; and
- (c) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall remeasure the lease liability. The lessee shall also decrease the carrying amount of right-of-use assets to reflect the partial or full termination of the lease, and recognize the difference in profit or loss.

(14) Intangible assets

A. Trademarks and patents

Separately acquired trademarks of corporate identity system and patents are stated initially at cost. Trademarks and patents have a finite useful life and are amortized on a straight-line basis over their estimated useful lives of 10 to 20 years.

B. Computer software

Computer software is stated initially at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

C. Turn-key professional technique

The subsidiary, CSM Maschinen GmbH, which has been merged into cpc Europa GmbH with the approval of the local authority since 2020, was commissioned by the Company to develop and design linear guide, robotic arm and equipment for exhibition which are stated initially at cost and amortized over the economic life of Turn-key professional technique of 10 years.

D. Other intangible assets

Technology contribution is stated initially at cost, and regarded as having an indefinite useful life as it is assessed to generate continuous net cash inflow in the foreseeable future. Technology contribution is not amortized, but is tested annually for impairment.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(16) Borrowings

A. Borrowings comprise long-term and short-term banks loans. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as other non-current assets for liquidity services and amortized over the period of the facility to which it relates.

(17) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(22) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is resolved from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(23) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Board of Directors. Stock dividends are recorded as stock dividends to be distributed in which they are resolved by the Company's shareholders, and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

Sales of goods

- A. The Group manufactures and sells linear guide, ball screw and linear modules. Sales are recognized when control of the products has been transferred, being when the products are delivered to the external customer, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- B. Sales revenue is recognized based on the contract price, net of output tax and sales returns and discounts. The sales are made with a credit term of 30 ~ 180 days after monthly closing. As the time interval between the transfer of committed goods and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(25) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is calculated based on the inventory clearance and historical data of discounts. Therefore, there might be material changes to the evaluation.

B. As of September 30, 2021, the carrying amount of inventories was \$455,639.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash:			
Cash on hand	\$ 1,249	\$ 1,369	\$ 1,401
Checking accounts and demand deposits	<u>789,516</u>	<u>651,729</u>	<u>670,324</u>
	<u>790,765</u>	<u>653,098</u>	<u>671,725</u>
Cash Equivalents:			
Time deposits	<u>1,380</u>	<u>1,499</u>	<u>1,466</u>
	<u>\$ 792,145</u>	<u>\$ 654,597</u>	<u>\$ 673,191</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others as of September 30, 2021, December 31, 2020 and September 30, 2020.

(2) Financial assets at amortized cost - current

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Restricted demand deposits (Note)	\$ 63,587	\$ -	\$ -
Time deposits with maturity of over 3 months	<u>7,239</u>	<u>7,360</u>	<u>7,502</u>
	<u>\$ 70,826</u>	<u>\$ 7,360</u>	<u>\$ 7,502</u>

Note : The demand deposits were restricted due to the Group's application of repatriating offshore funds according to "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act".

A. The Group recognized interest income of \$12, \$18, \$43 and \$99 from financial assets at amortized cost for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively, shown as part of "Interest Income".

B. As of September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group was its book value.

C. The Group has no financial assets at amortized cost pledged to others as of September 30, 2021, December 31, 2020 and September 30, 2020.

D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2), 'Financial instruments'.

(3) Notes and accounts receivable, net

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable	<u>\$ 31,540</u>	<u>\$ 27,767</u>	<u>\$ 28,339</u>
Accounts receivable	<u>\$ 449,673</u>	<u>\$ 370,745</u>	<u>\$ 369,350</u>
Less: Allowance for doubtful accounts	<u>(20,635)</u>	<u>(26,070)</u>	<u>(24,012)</u>
	<u>\$ 429,038</u>	<u>\$ 344,675</u>	<u>\$ 345,338</u>

A. The ageing analysis of the Group's notes and accounts receivable is as follows:

	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 393,666	\$ 31,368	\$ 283,508	\$ 27,592	\$ 307,921	\$ 28,168
Up to 30 days	18,635	-	11,726	-	28,099	-
31 to 90 days	17,173	-	41,760	-	11,472	-
91 to 180 days	780	-	15,188	-	662	-
Over 180 days	19,419	172	18,563	175	21,196	171
	<u>\$ 449,673</u>	<u>\$ 31,540</u>	<u>\$ 370,745</u>	<u>\$ 27,767</u>	<u>\$ 369,350</u>	<u>\$ 28,339</u>

The above ageing analysis was based on past due date.

B. As of September 30, 2021, December 31, 2020, September 30, 2020 and January 1, 2020, the balances of notes receivable and accounts receivable from contracts with customers amounted to \$481,213, \$398,512, \$397,689 and \$352,262, respectively.

C. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was its book value.

D. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group does not hold any collateral as security for accounts receivable.

E. Information relating to credit risk is provided in Note 12(2), 'Financial instruments'.

(4) Inventories

	<u>September 30, 2021</u>		
	<u>Cost</u>	<u>Allowance for market price decline</u>	<u>Book value</u>
Raw materials	\$ 65,387	(\$ 3,772)	\$ 61,615
Supplies	78,693	(10,163)	68,530
Work in process	247,282	(17,716)	229,566
Finished goods	129,899	(33,971)	95,928
	<u>\$ 521,261</u>	<u>(\$ 65,622)</u>	<u>\$ 455,639</u>

December 31, 2020			
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 80,104	(\$ 2,714)	\$ 77,390
Supplies	67,896	(10,676)	57,220
Work in process	274,069	(13,003)	261,066
Finished goods	201,751	(40,484)	161,267
	<u>\$ 623,820</u>	<u>(\$ 66,877)</u>	<u>\$ 556,943</u>

September 30, 2020			
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 88,976	(\$ 2,670)	\$ 86,306
Supplies	56,120	(9,712)	46,408
Work in process	304,297	(10,540)	293,757
Finished goods	204,854	(37,802)	167,052
	<u>\$ 654,247</u>	<u>(\$ 60,724)</u>	<u>\$ 593,523</u>

The cost of inventories recognized as expense for the period:

	For the three-month periods ended September 30,	
	2021	2020
Cost of goods sold	\$ 288,592	\$ 202,321
Allowance for inventory market price decline	97	7,777
Loss (gain) on physical inventory	1,058	(394)
Revenue from sale of scraps	(91)	(155)
	<u>\$ 289,656</u>	<u>\$ 209,549</u>

	For the nine-month periods ended September 30,	
	2021	2020
Cost of goods sold	\$ 813,311	\$ 590,204
Allowance for inventory market price decline	677	10,838
Loss (gain) on physical inventory	864	(83)
Revenue from sale of scraps	(398)	(313)
	<u>\$ 814,454</u>	<u>\$ 600,646</u>

(5) Property, plant and equipment

		Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements and other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>At January 1, 2021</u>								
Cost	\$ 367,121	\$ 750,993	\$ 944,425	\$ 6,789	\$ 22,495	\$ 156,286	\$ 443,763	\$ 2,691,872
Accumulated depreciation	-	(166,993)	(831,312)	(4,915)	(19,627)	(136,905)	-	(1,159,752)
	<u>\$ 367,121</u>	<u>\$ 584,000</u>	<u>\$ 113,113</u>	<u>\$ 1,874</u>	<u>\$ 2,868</u>	<u>\$ 19,381</u>	<u>\$ 443,763</u>	<u>\$ 1,532,120</u>
<u>For the nine-month period ended September 30, 2021</u>								
At January 1, 2021	\$ 367,121	\$ 584,000	\$ 113,113	\$ 1,874	\$ 2,868	\$ 19,381	\$ 443,763	\$ 1,532,120
Additions	-	657	4,032	285	569	2,346	122,526	130,415
Transferred from prepayments for equipment	-	-	-	-	-	-	13,003	13,003
Transferred after acceptance inspection	-	193	9,324	-	-	13,138	(22,655)	-
Depreciation	-	(15,398)	(28,065)	(390)	(1,341)	(8,434)	-	(53,628)
Disposals – Cost	-	-	(137)	(790)	(928)	(14)	-	(1,869)
– Accumulated depreciation	-	-	137	790	928	14	-	1,869
Net currency exchange differences	(1,112)	(2,422)	(525)	(3)	(14)	(97)	-	(4,173)
At September 30, 2021	<u>\$ 366,009</u>	<u>\$ 567,030</u>	<u>\$ 97,879</u>	<u>\$ 1,766</u>	<u>\$ 2,082</u>	<u>\$ 26,334</u>	<u>\$ 556,637</u>	<u>\$ 1,617,737</u>
<u>At September 30, 2021</u>								
Cost	\$ 366,009	\$ 748,933	\$ 956,165	\$ 6,232	\$ 21,939	\$ 171,377	\$ 556,637	\$ 2,827,292
Accumulated depreciation	-	(181,903)	(858,286)	(4,466)	(19,857)	(145,043)	-	(1,209,555)
	<u>\$ 366,009</u>	<u>\$ 567,030</u>	<u>\$ 97,879</u>	<u>\$ 1,766</u>	<u>\$ 2,082</u>	<u>\$ 26,334</u>	<u>\$ 556,637</u>	<u>\$ 1,617,737</u>

		Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements and other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>At January 1, 2020</u>								
Cost	\$ 369,768	\$ 606,091	\$ 896,524	\$ 6,654	\$ 21,295	\$ 146,309	\$ 335,290	\$ 2,381,931
Accumulated depreciation	-	(151,497)	(788,483)	(4,354)	(17,750)	(128,888)	-	(1,090,972)
	<u>\$ 369,768</u>	<u>\$ 454,594</u>	<u>\$ 108,041</u>	<u>\$ 2,300</u>	<u>\$ 3,545</u>	<u>\$ 17,421</u>	<u>\$ 335,290</u>	<u>\$ 1,290,959</u>
<u>For the nine-month period ended September 30, 2020</u>								
At January 1, 2020	\$ 369,768	\$ 454,594	\$ 108,041	\$ 2,300	\$ 3,545	\$ 17,421	\$ 335,290	\$ 1,290,959
Additions	-	924	7,398	95	994	3,775	201,375	214,561
Transferred from prepayments for equipment	-	-	-	-	-	-	28,271	28,271
Transferred after acceptance inspection	-	-	41,409	-	-	3,304	(44,713)	-
Depreciation	-	(13,367)	(33,191)	(392)	(1,350)	(6,058)	-	(54,358)
Disposals — Cost	-	-	(2,211)	-	(67)	(241)	-	(2,519)
— Accumulated depreciation	-	-	2,211	-	67	241	-	2,519
Net currency exchange differences	(1,553)	(3,419)	39	-	(3)	19	-	(4,917)
At September 30, 2020	<u>\$ 368,215</u>	<u>\$ 438,732</u>	<u>\$ 123,696</u>	<u>\$ 2,003</u>	<u>\$ 3,186</u>	<u>\$ 18,461</u>	<u>\$ 520,223</u>	<u>\$ 1,474,516</u>
<u>At September 30, 2020</u>								
Cost	\$ 368,215	\$ 602,956	\$ 943,181	\$ 6,743	\$ 22,235	\$ 153,214	\$ 520,223	\$ 2,616,767
Accumulated depreciation	-	(164,224)	(819,485)	(4,740)	(19,049)	(134,753)	-	(1,142,251)
	<u>\$ 368,215</u>	<u>\$ 438,732</u>	<u>\$ 123,696</u>	<u>\$ 2,003</u>	<u>\$ 3,186</u>	<u>\$ 18,461</u>	<u>\$ 520,223</u>	<u>\$ 1,474,516</u>

- A. Property, plant and equipment of the Group were all for operating purposes as of September 30, 2021, December 31, 2020 and September 30, 2020.
- B. For the three-month and nine-month periods ended September 30, 2021 and 2020, no borrowing costs were capitalized as part of property, plant and equipment.
- C. Information about the property, plant and equipment that were pledged to others as collateral as of September 30, 2021, December 31, 2020 and September 30, 2020 is provided in Note 8, 'Pledged assets'.

(6) Leasing arrangements – lessee

- A. The Group leases land in Southern Taiwan Science Park of Ministry of Science and Technology. Rental contracts are typically made for a period of 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

Carrying amount:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Land	\$ 124,933	\$ 129,601	\$ 131,157

Depreciation charge:

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Land	\$ 1,556	\$ 1,556

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Land	\$ 4,668	\$ 4,668

- C. For the nine-month periods ended September 30, 2021 and 2020, the Group has no additions to right-of-use assets.
- D. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 578	\$ 602
Expense on short-term lease contracts	\$ 3,004	\$ 2,993
Gain from lease modifications	\$ -	(\$ 251)

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,753	\$ 1,823
Expense on short-term lease contracts	\$ 8,992	\$ 8,965
Gain from lease modifications	\$ -	(\$ 251)

- E. For the nine-month periods ended September 30, 2021 and 2020, the Group's total cash outflow for leases were \$14,648 and \$14,369, respectively.
- G. The Group has applied the practical expedient to "Covid-19-related rent concessions", and recognized the gain from changes in lease payments arising from the rent concessions amounting to \$251 for the nine-month period ended September 30, 2020, shown as part of "Other gains and losses".

(7) Intangible assets

	<u>Trademarks</u>	<u>Patents</u>	<u>Software</u>	<u>Turn-key professional technique</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2021</u>						
Cost	\$ 578	\$ 10,106	\$ 12,848	\$ 90,718	\$ 60,000	\$ 174,250
Accumulated amortization	(578)	(3,724)	(12,155)	(9,072)	(13,500)	(39,029)
Accumulated impairment	-	-	-	-	(33,626)	(33,626)
Net value	<u>\$ -</u>	<u>\$ 6,382</u>	<u>\$ 693</u>	<u>\$ 81,646</u>	<u>\$ 12,874</u>	<u>\$ 101,595</u>
<u>For the nine-month period ended September 30, 2021</u>						
Net value at January 1, 2021	\$ -	\$ 6,382	\$ 693	\$ 81,646	\$ 12,874	\$ 101,595
Additions — acquired separately	-	752	126	-	-	878
Amortization	-	(525)	(630)	(6,804)	-	(7,959)
Net currency exchange differences	-	-	(15)	-	-	(15)
Net value at September 30, 2021	<u>\$ -</u>	<u>\$ 6,609</u>	<u>\$ 174</u>	<u>\$ 74,842</u>	<u>\$ 12,874</u>	<u>\$ 94,499</u>
<u>At September 30, 2021</u>						
Cost	\$ 578	\$ 10,858	\$ 12,783	\$ 90,718	\$ 60,000	\$ 174,937
Accumulated amortization	(578)	(4,249)	(12,609)	(15,876)	(13,500)	(46,812)
Accumulated impairment	-	-	-	-	(33,626)	(33,626)
Net value	<u>\$ -</u>	<u>\$ 6,609</u>	<u>\$ 174</u>	<u>\$ 74,842</u>	<u>\$ 12,874</u>	<u>\$ 94,499</u>

	<u>Trademarks</u>	<u>Patents</u>	<u>Software</u>	<u>Turn-key professional technique</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2020</u>						
Cost	\$ 578	\$ 9,323	\$ 12,746	\$ 90,718	\$ 60,000	\$ 173,365
Accumulated amortization	(578)	(3,114)	(10,606)	-	(13,500)	(27,798)
Accumulated impairment	-	-	-	-	(24,577)	(24,577)
Net value	<u>\$ -</u>	<u>\$ 6,209</u>	<u>\$ 2,140</u>	<u>\$ 90,718</u>	<u>\$ 21,923</u>	<u>\$ 120,990</u>
<u>For the nine-month period ended September 30, 2020</u>						
Net value at January 1, 2020	\$ -	\$ 6,209	\$ 2,140	\$ 90,718	\$ 21,923	\$ 120,990
Additions—acquired separately	-	459	-	-	-	459
Amortization	-	(453)	(1,204)	(6,804)	-	(8,461)
Net currency exchange differences	-	-	8	-	-	8
Net value at September 30, 2020	<u>\$ -</u>	<u>\$ 6,215</u>	<u>\$ 944</u>	<u>\$ 83,914</u>	<u>\$ 21,923</u>	<u>\$ 112,996</u>
<u>At September 30, 2020</u>						
Cost	\$ 578	\$ 9,782	\$ 12,786	\$ 90,718	\$ 60,000	\$ 173,864
Accumulated amortization	(578)	(3,567)	(11,842)	(6,804)	(13,500)	(36,291)
Accumulated impairment	-	-	-	-	(24,577)	(24,577)
Net value	<u>\$ -</u>	<u>\$ 6,215</u>	<u>\$ 944</u>	<u>\$ 83,914</u>	<u>\$ 21,923</u>	<u>\$ 112,996</u>

A. For the three-month and nine-month periods ended September 30, 2021 and 2020, no borrowing costs were capitalized as part of intangible assets.

B. Details of amortization on intangible assets are as follows:

	For the three-month periods ended September 30,	
	2021	2020
General and administrative expenses	\$ 194	\$ 224
Research and development expenses	2,453	2,520
	<u>\$ 2,647</u>	<u>\$ 2,744</u>

	For the nine-month periods ended September 30,	
	2021	2020
General and administrative expenses	\$ 605	\$ 677
Research and development expenses	7,354	7,784
	<u>\$ 7,959</u>	<u>\$ 8,461</u>

(8) Short-term borrowings

Nature	September 30, 2021	Interest rate range	Collateral
Bank unsecured borrowings	<u>\$ 370,000</u>	0.51%~0.90%	None

Nature	December 31, 2020	Interest rate range	Collateral
Bank unsecured borrowings	\$ 358,000	0.52%~0.95%	None
Bank secured borrowings	<u>21,012</u>	1.30%	Endorsements and guarantees by the Company
	<u>\$ 379,012</u>		

Nature	September 30, 2020	Interest rate range	Collateral
Bank unsecured borrowings	\$ 388,000	0.51%~0.95%	None
Bank secured borrowings	<u>32,442</u>	1.30%	Endorsements and guarantees by the Company
	<u>\$ 420,442</u>		

For more information about interest expense recognized by the Group for the three-month and nine-month periods ended September 30, 2021 and 2020, please refer to Note 6(20), 'Finance costs'.

(9) Short-term notes and bills payable

	September 30, 2020	Interest rate range	Collateral
Commercial papers payable	<u>\$ 40,000</u>	0.36%	None

The Group had no short-term notes and bills payable as of September 30, 2021 and December 31, 2020.

A. The above commercial papers were issued and secured by Union Bank of Taiwan Co., Ltd. for short-term financing.

B. For more information about interest expense recognized by the Group for the three-month and nine-month periods ended September 30, 2021 and 2020, please refer to Note 6(20), 'Finance

costs’.

(10) Other payables

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accrued salaries and bonuses	\$ 77,078	\$ 52,658	\$ 57,566
Employees’ compensation and directors’ and supervisors’ remuneration payable	47,500	20,500	31,223
Equipment payable	4,319	5,253	7,150
Others	47,278	32,424	34,265
	<u>\$ 176,175</u>	<u>\$ 110,835</u>	<u>\$ 130,204</u>

(11) Long-term borrowings

<u>Nature</u>	<u>Expiry date</u>	<u>September 30, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Long-term bank borrowings				
Secured borrowings	May 15, 2027 ~ December 28, 2027	\$ 366,356	1.04% ~ 2.81%	Land, buildings and structures
Unsecured borrowings	November 20, 2023 ~ May 15, 2027	210,000	1.14% ~ 1.30%	None
		<u>576,356</u>		
Less: Current portion		(71,933)		
		<u>\$ 504,423</u>		

<u>Nature</u>	<u>Expiry date</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Long-term bank borrowings				
Secured borrowings	August 21, 2023 ~ December 28, 2027	\$ 440,142	1.04% ~ 2.81%	Land, buildings and structures
Unsecured borrowings	February 22, 2022 ~ May 15, 2027	172,500	1.25% ~ 1.30%	None
		<u>612,642</u>		
Less: Current portion		(94,658)		
		<u>\$ 517,984</u>		

<u>Nature</u>	<u>Expiry date</u>	<u>September 30, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Long-term bank borrowings				
Secured borrowings	January 24, 2023 ~ May 15, 2027	\$ 437,576	1.04% ~ 4.43%	Land, buildings and structures
Unsecured borrowings	February 22, 2022 ~ May 15, 2027	185,000	1.25% ~ 1.30%	None
		<u>622,576</u>		
Less: Current portion		(88,164)		
		<u>\$ 534,412</u>		

For more information about interest expense recognized by the Group for the three-month and nine-month periods ended September 30, 2021 and 2020, please refer to Note 6(20), 'Finance costs'.

(12) Pensions

- A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.
- (b) No pension cost was recognized under the aforementioned defined benefit pension plan of the Company for the three-month and nine-month periods ended September 30, 2021 and 2020.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$297.
- B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The other subsidiaries are subject to local government sponsored defined contribution plan. In accordance with related laws of the respective local government, the independent pension fund of employees is administered by the government. Other than the monthly contributions, these subsidiaries do not have further obligations. The pension costs under the defined contribution pension plans of the Group for the three-month and nine-month periods ended September 30, 2021 and 2020 were \$4,764, \$4,004, \$13,254 and \$10,736, respectively.

(13) Share capital

A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	For the nine-month periods ended September 30,	
	2021	2020
Balance at beginning of period	80,743	81,188
Purchase of treasury stocks	- (445)
Balance at end of period	<u>80,743</u>	<u>80,743</u>

B. Treasury stocks

(a) Reason for share reacquisition and movements in the number of the Company's treasury stocks are as follows (in thousands of shares):

Reason for reacquisition	For the nine-month period ended September 30, 2021			
	Shares at beginning of period	Increase	Decrease	Shares at end of period
To be reissued to employees	<u>445</u>	<u>-</u>	<u>-</u>	<u>445</u>

Reason for reacquisition	For the nine-month period ended September 30, 2020			
	Shares at beginning of period	Increase	Decrease	Shares at end of period
To be reissued to employees	<u>-</u>	<u>445</u>	<u>-</u>	<u>445</u>

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. As of September 30, 2021, December 31, 2020 and September 30, 2020, the treasury shares amounted to \$26,550.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should be reissued to the employees within 5 years from the reacquisition date and shares not reissued within the 5 year period are to be retired.

C. As of September 30, 2021, the Company's authorized capital was \$1,500,000 (including \$30,000 reserved for employee stock options), and the paid-in capital was \$811,876 (81,188 thousand shares) with par value of \$10 (in dollars) per share.

(14) Capital reserve

For the nine-month periods ended

<u>September 30, 2021 and 2020</u>	<u>Share premium</u>	<u>Others</u>	<u>Total</u>
Balances at beginning and end of period	<u>\$ 440,553</u>	<u>\$ 114</u>	<u>\$ 440,667</u>

Pursuant to the R.O.C. Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(15) Retained earnings

- A. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.
- B. According to the Company's Articles of Incorporation, the Company's dividend policy is to distribute the current year's earnings, if any, in the following order:
- (1) pay all taxes and dues;
 - (2) offset any loss of prior years;
 - (3) set aside 10% as legal reserve;
 - (4) set aside or reverse special reserve as required by regulations or the Competent Authority;
 - (5) The appropriation of the remaining amount after deducting items (1) to (4), along with the unappropriated retained earnings of prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the shareholders' meeting. However, the distribution of dividends shall not be lower than 20% of the current year's profit after deducting items (1) to (4). In order to continually expand the scale of operations, increase competitiveness and support the Company's long-term development plans, future capital requirements and long-term financial plan, the Company's dividend policy is to distribute stock dividends and partially as cash dividends. Cash dividends shall not be less than 10% of the total dividends distributed to shareholders. The Board of Directors of the Company shall adopt a resolution by a majority of more than two-thirds of the directors present to distribute whole or a part of the distributable dividends, bonuses, capital reserves or legal reserve in the form of cash, and report to the shareholders during their meetings. The above is not subject to provisions that require shareholders' approval.

- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. As of December 31, 2020, pursuant to the regulations for the deduction amount to stockholders' equity from other equity items, the Company has set aside special reserve of \$36,323, which cannot be distributed to shareholders.
- D. The Company recognized cash dividends distributed to owners amounting to \$80,743 (\$1.0 (in dollars) per share) for the year ended December 31, 2020. On February 25, 2021, the Board of Directors resolved the distribution of cash dividends from 2020 earnings in the amount of \$121,114 (\$1.5 (in dollars) per share).

(16) Operating revenue

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers	<u>\$ 491,846</u>	<u>\$ 347,443</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers	<u>\$ 1,400,269</u>	<u>\$ 1,029,218</u>

- A. The Group derives revenue from the transfer of goods at a point in time in segments. Please refer to Note 14, 'Segment information' for details.
- B. The Group has recognized revenue-related contract liabilities amounting to \$2,330, \$4,807, \$3,944 and \$3,964 as of September 30, 2021, December 31, 2020, September 30, 2020 and January 1, 2020, respectively. Revenue recognized that were included in the contract liability balance at the beginning of 2021 and 2020 for the three-month and nine-month periods ended September 30, 2021 and 2020 were \$—, \$4, \$4,418 and \$2,529, respectively.

(17) Interest income

	For the three-month periods ended September 30,	
	2021	2020
Interest income from bank deposits	\$ 868	\$ 345
Interest income from financial assets measured at amortized cost	12	18
	<u>\$ 880</u>	<u>\$ 363</u>
	For the nine-month periods ended September 30,	
	2021	2020
Interest income from bank deposits	\$ 1,432	\$ 1,508
Interest income from financial assets measured at amortized cost	43	99
Other interest income	-	3
	<u>\$ 1,475</u>	<u>\$ 1,610</u>

(18) Other income

	For the three-month periods ended September 30,	
	2021	2020
Government grants revenue	(\$ 316)	\$ -
Other income – others	2,201	2,343
	<u>\$ 1,885</u>	<u>\$ 2,343</u>
	For the nine-month periods ended September 30,	
	2021	2020
Government grants revenue	\$ 4,684	\$ -
Other income – others	3,995	8,602
	<u>\$ 8,679</u>	<u>\$ 8,602</u>

(19) Other gains and losses

	For the three-month periods ended September 30,	
	2021	2020
Gain from lease modifications	\$ -	\$ 251
Currency exchange loss	(4,408)	(3,460)
Other losses	-	(40)
	<u>(\$ 4,408)</u>	<u>(\$ 3,249)</u>
	For the nine-month periods ended September 30,	
	2021	2020
Gain from lease modifications	\$ -	\$ 251
Currency exchange loss	(20,213)	(6,785)
Other losses	(145)	(57)
	<u>(\$ 20,358)</u>	<u>(\$ 6,591)</u>

(20) Finance costs

	For the three-month periods ended September 30,	
	2021	2020
Interest expense:		
Interest expense on bank borrowings	\$ 3,072	\$ 3,458
Interest expense on lease liabilities	578	602
	<u>\$ 3,650</u>	<u>\$ 4,060</u>
	For the nine-month periods ended September 30,	
	2021	2020
Interest expense:		
Interest expense on bank borrowings	\$ 9,048	\$ 11,275
Interest expense on lease liabilities	1,753	1,823
	<u>\$ 10,801</u>	<u>\$ 13,098</u>

(21) Expenses by nature

	For the three-month period ended September 30, 2021		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 74,764	\$ 37,093	\$ 111,857
Depreciation	12,555	5,982	18,537
Amortization	-	2,647	2,647
	<u>\$ 87,319</u>	<u>\$ 45,722</u>	<u>\$ 133,041</u>
	For the three-month period ended September 30, 2020		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 52,794	\$ 43,785	\$ 96,579
Depreciation	14,863	4,896	19,759
Amortization	-	2,744	2,744
	<u>\$ 67,657</u>	<u>\$ 51,425</u>	<u>\$ 119,082</u>
	For the nine-month period ended September 30, 2021		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 221,715	\$ 145,205	\$ 366,920
Depreciation	40,799	17,497	58,296
Amortization	-	7,959	7,959
	<u>\$ 262,514</u>	<u>\$ 170,661</u>	<u>\$ 433,175</u>
	For the nine-month period ended September 30, 2020		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 168,319	\$ 136,977	\$ 305,296
Depreciation	45,698	13,328	59,026
Amortization	-	8,461	8,461
	<u>\$ 214,017</u>	<u>\$ 158,766</u>	<u>\$ 372,783</u>

(22) Employee benefit expense

	<u>For the three-month period ended September 30, 2021</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 62,129	\$ 32,146	\$ 94,275
Labor and health insurance expense	6,697	2,328	9,025
Pension costs	3,341	1,423	4,764
Other personnel expenses	2,597	1,196	3,793
	<u>\$ 74,764</u>	<u>\$ 37,093</u>	<u>\$ 111,857</u>

	<u>For the three-month period ended September 30, 2020</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 42,989	\$ 38,686	\$ 81,675
Labor and health insurance expense	5,177	2,303	7,480
Pension costs	2,546	1,458	4,004
Other personnel expenses	2,082	1,338	3,420
	<u>\$ 52,794</u>	<u>\$ 43,785</u>	<u>\$ 96,579</u>

	<u>For the nine-month period ended September 30, 2021</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 186,956	\$ 129,913	\$ 316,869
Labor and health insurance expense	18,438	7,333	25,771
Pension costs	8,999	4,255	13,254
Other personnel expenses	7,322	3,704	11,026
	<u>\$ 221,715</u>	<u>\$ 145,205</u>	<u>\$ 366,920</u>

	<u>For the nine-month period ended September 30, 2020</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 141,349	\$ 121,506	\$ 262,855
Labor and health insurance expense	14,186	7,306	21,492
Pension costs	6,473	4,263	10,736
Other personnel expenses	6,311	3,902	10,213
	<u>\$ 168,319</u>	<u>\$ 136,977</u>	<u>\$ 305,296</u>

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 3% to 15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the three-month and nine-month periods ended September 30, 2021 and 2020, the Company's employees' compensation was accrued at \$1,572, \$8,035, \$22,000 and \$24,978, respectively; while directors' and supervisors' remuneration was accrued at (\$445), \$2,009, \$5,000 and \$6,245,

respectively. The aforementioned amounts were recognized in salary expenses, and were estimated and accrued based on the profit as of the end of the reporting period and the percentage specified in the Articles of Incorporation of the Company.

The employees' compensation and directors' and supervisors' remuneration for 2020 as resolved by the Board of Directors were \$16,000 and \$4,500, respectively, and the employees' compensation was distributed in the form of cash. Employees' compensation and directors' and supervisors' remuneration for 2020 as resolved by the Board of Directors were equal to the amounts recognized in the 2020 financial statements.

Information about the appropriation of employees' compensation and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense:

Components of income tax expense:

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Current income tax:		
Income tax incurred in current period	\$ 24,150	\$ 9,483
Deferred income tax:		
Origination and reversal of temporary differences	<u>4,856</u>	<u>4,719</u>
Income tax expense	<u>\$ 29,006</u>	<u>\$ 14,202</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Current income tax:		
Income tax incurred in current period	\$ 72,948	\$ 29,581
Prior year income tax under (over) estimation	<u>5,803</u>	<u>(3,866)</u>
Total current income tax	<u>78,751</u>	<u>25,715</u>
Deferred income tax:		
Origination and reversal of temporary differences	<u>6,619</u>	<u>13,966</u>
Income tax expense	<u>\$ 85,370</u>	<u>\$ 39,681</u>

B. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of November 5, 2021.

<u>For the nine-month period ended September 30, 2021</u>			
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 247,393	80,743	\$ 3.06
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 247,393	80,743	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	466	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 247,393	81,209	\$ 3.05
<u>For the nine-month period ended September 30, 2020</u>			
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 145,085	80,882	\$ 1.79
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 145,085	80,882	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	374	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 145,085	81,256	\$ 1.79

(25) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the nine-month periods ended September 30,	
	2021	2020
Purchase of property, plant and equipment	\$ 130,415	\$ 214,561
Add: Opening balance of notes payable	11,803	25,323
Opening balance of payable for equipment	5,253	30,601
Less: Ending balance of notes payable	(43,816)	(8,473)
Ending balance of payable for equipment	(4,319)	(7,150)
Cash paid during the period	<u>\$ 99,336</u>	<u>\$ 254,862</u>

B. Operating, investing and financing activities with no cash flow effects

	For the nine-month periods ended September 30,	
	2021	2020
(a) Write-offs of allowance for bad debts	<u>\$ 827</u>	<u>\$ 118</u>
	For the nine-month periods ended September 30,	
	2021	2020
(b) Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 13,003</u>	<u>\$ 28,271</u>

(26) Changes in liabilities from financing activities

	Short-term borrowings	Lease liability	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2021	\$ 379,012	\$ 131,800	\$ 612,642	\$ 1,123,454
Changes in cash flow from financing activities	(8,136)	(3,903)	(34,410)	(46,449)
Impact of changes in foreign exchange rate	(876)	-	(1,876)	(2,752)
At September 30, 2021	<u>\$ 370,000</u>	<u>\$ 127,897</u>	<u>\$ 576,356</u>	<u>\$ 1,074,253</u>

	Short-term borrowings	Short-term notes and bills payable	Lease liability	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2020	\$ 313,315	\$ -	\$ 131,343	\$ 582,113	\$ 1,026,771
Changes in cash flow from financing activities	106,900	40,000	(3,581)	42,801	186,120
Changes in cash flow from other non-financing activities	-	-	5,326	-	5,326
Impact of changes in foreign exchange rate	227	-	-	(2,338)	(2,111)
At September 30, 2020	<u>\$ 420,442</u>	<u>\$ 40,000</u>	<u>\$ 133,088</u>	<u>\$ 622,576</u>	<u>\$ 1,216,106</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

None.

(2) Key management compensation

	For the three-month periods ended September 30,	
	2021	2020
Salaries and other short-term employee benefits	\$ 4,614	\$ 8,132

	For the nine-month periods ended September 30,	
	2021	2020
Salaries and other short-term employee benefits	\$ 23,720	\$ 25,026

8. PLEGGED ASSETS

The Group's assets pledged as collateral are as follows:

Asset pledged	Book value			Purpose of collateral
	September 30, 2021	December 31, 2020	September 30, 2020	
Land (Note)	\$ 366,009	\$ 367,121	\$ 368,215	Guarantee for long-term borrowings
Buildings and structures-net (Note)	542,624	555,652	409,838	Guarantee for long-term borrowings
Construction in progress (Note)	-	-	145,250	Guarantee for long-term borrowings
	<u>\$ 908,633</u>	<u>\$ 922,773</u>	<u>\$ 923,303</u>	

(Note) Listed as 'Property, plant and equipment'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of September 30, 2021, December 31, 2020 and September 30, 2020, the endorsements and guarantees provided by the Company to the subsidiary, cpc Europa GmbH, amounted to \$—, \$157,590 and \$153,675, respectively, and the actual amounts drawn down were \$—, \$21,012 and \$32,442, respectively.

(2) As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group's remaining balance due for construction in progress and prepayments for equipment were \$333,193, \$373,754 and \$428,699, respectively.

(3) On February 19, 2020, the Company entered into a mid-term secured syndicated loan contract for a credit line facility of \$2,900,000 with 11 financial institutions including Mega International Commercial Bank Co., Ltd.. The credit term is 7 years. Under the terms of the syndicated loan, the Company agrees that:

A. The financial ratios stated in the Company's semi-annual reviewed financial statements and annual audited financial statements shall meet the following financial ratios which will be assessed semi-annually:

(a) Current ratio (current assets/current liabilities): At least 100%.

(b) Liability ratio (total liabilities/net equity): Less than 220% in 2020; less than 200% in 2021 and 2022; less than 180% from 2023.

(c) Tangible net value (shareholders' equity less intangible assets): At least \$1,000,000.

B. If the Company violates the above financial covenants, the Company should improve within 9 months after the fiscal year or half fiscal year. It will not be considered as default, if the audited or reviewed financial ratios comply with the covenants after the improvement period. During the improvement period, the credit line which has not been withdrawn will be frozen, until the financial covenants are met. In addition, for withdrawn credit, its financing rate shall be increased by an additional 0.125% per annum from the date after the notification by the management bank to the date after the completion of improvement.

As of September 30, 2021, the Company has not violated any of the above covenants.

(4) For the details of operating lease agreements, please refer to Note 6(6), 'Leasing arrangements—lessee'.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the level of debt.

(2) Financial instruments

A. Details of the Group's financial instruments by category are provided in Note 6.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

- (i) The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries denominated in various functional currency, primarily with respect to USD, EUR and JPY. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- (ii) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- (iii) The Group treasury's risk management policy is to hedge anticipated cash flows (mainly sale export and purchase of inventory) in the major foreign currency in the future so as to decrease the risk exposure in the major foreign currency.
- (iv) The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, as the objective of the net investments in foreign operations is for strategic purposes, the Group does not hedge the investments.
- (v) The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD, the subsidiaries' functional currency: USD, EUR and CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2021		
	<u>Foreign currency amount (in thousands)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 20,967	27.85	\$ 584,014
JPY:NTD	96,096	0.2490	23,928
EUR:NTD	6,040	32.32	195,202
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	12	27.85	340
JPY:NTD	7,171	0.2490	1,785
EUR:NTD	724	32.32	23,406

December 31, 2020				
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 10,750	28.48	\$ 306,154	
JPY:NTD	32,962	0.2763	9,107	
EUR:NTD	729	35.02	25,525	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	3	28.48	83	
JPY:NTD	5,274	0.2763	1,457	
EUR:NTD	927	35.02	32,506	

September 30, 2020				
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 13,610	29.10	\$ 396,062	
JPY:NTD	21,176	0.2756	5,836	
EUR:NTD	1,253	34.15	42,804	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
JPY:NTD	4,190	0.2756	1,155	
EUR:NTD	210	34.15	7,167	

Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If the exchange rate of NTD to other currencies had appreciated/depreciated by 1% with all other factors remaining constant, the Group's net profit (loss) after tax for the nine-month periods ended September 30, 2021 and 2020 would increase/decrease by \$6,221 and \$3,491, respectively.

- (vi) The total exchange loss, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2021 and 2020 amounted to \$4,408, \$3,460, \$20,213 and \$6,785, respectively.

II. Price risk

The Group did not engage in any financial instruments with price variations, thus, the Group does not expect market risk arising from variations in the market prices.

III. Cash flow and fair value interest rate risk

- (i) The Group's main interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. However, partial interest rate risk is offset by cash and cash equivalents held at variable rates. For the nine-month periods ended September 30, 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in NTD, USD and EUR.
- (ii) The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- (iii) If the borrowing interest rate had increased/decreased by 10% with all other variables held constant, profit, net of tax for the nine-month periods ended September 30, 2021 and 2020 would have decreased/increased by \$724 and \$902, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- II. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored.
- III. The Group manages its credit risk, whereby if the contract payments are past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition and the impairment is assessed when the contract payments are past due over certain days.
- IV. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group's written-off financial assets that are still under recourse procedures amounted to \$3,905, \$3,078 and \$784, respectively.
- V. The Group classifies customers' accounts receivable in accordance with the credit rating of customers and credit risk on trade. The Group applies the simplified approach using the provision matrix and the forecast ability to adjust historical and timely information to estimate expected credit loss. The expected credit loss ranges from 0.03% to 100%. Movements in relation to the Group applying the simplified approach to provide loss

allowance for accounts receivable are as follows:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 26,070	\$ 25,914
Reversal of impairment loss	(3,772)	(1,695)
Write-offs	(827)	(118)
Effect of foreign exchange	(836)	(89)
At September 30	<u>\$ 20,635</u>	<u>\$ 24,012</u>

(c) Liquidity risk

- I. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- II. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. The Group is expected to readily generate cash inflows for managing liquidity risk.
- III. The Group has the following undrawn borrowing facilities:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Floating rate:			
Expiring within one year	\$ 826,200	\$ 1,183,578	\$ 1,098,233
Expiring beyond one year	<u>2,900,000</u>	<u>2,600,000</u>	<u>2,900,000</u>
	<u>\$ 3,726,200</u>	<u>\$ 3,783,578</u>	<u>\$ 3,998,233</u>

- IV. The table below analyses the Group's non-derivative financial liabilities and relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>September 30, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 370,715	\$ -	\$ -	\$ -
Notes payable	177,006	-	-	-
Accounts payable	55,402	-	-	-
Other payables	176,175	-	-	-
Lease liability	7,539	7,539	22,618	114,976
Long-term borrowings (including current portion)	79,937	109,588	295,920	121,621
<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 379,605	\$ -	\$ -	\$ -
Notes payable	77,992	-	-	-
Accounts payable	49,211	-	-	-
Other payables	110,835	-	-	-
Lease liability	7,539	7,539	22,618	120,629
Long-term borrowings (including current portion)	103,093	114,668	323,366	108,173
<u>September 30, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 421,346	\$ -	\$ -	\$ -
Short-term notes and bills payable	40,000	-	-	-
Notes payable	84,501	-	-	-
Accounts payable	22,825	-	-	-
Other payables	130,204	-	-	-
Lease liability	7,539	7,539	22,618	122,515
Long-term borrowings (including current portion)	97,693	84,382	349,754	126,348

V. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group had no fair value financial instruments.

B. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortized cost - current, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, lease liabilities (current and non-current) and long-term borrowings (including current portion) are approximate to their fair values.

(4) Others

A. As a cross-border operating group, due to the impact of COVID-19 pandemic, certain nations have taken prevention measures, which have reduced business activities and affected the sales of some operating entities of the Group in certain countries. The Group has taken relevant countermeasures, such as keeping in close contact with customers and manufacturers, strengthening employee health monitoring and continuing to pay attention to the development of the epidemic, in order to mitigate the impact on the operations. However, the actual extent of the possible impact will depend on the subsequent development of the pandemic.

B. Due to the impact of COVID-19 pandemic and preventive measures imposed by the government, the Group has implemented workplace hygiene management and continued managing relevant matters, in compliance with the "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019 (COVID-19)". The Group has maintained normal operations in its plants and so far, the pandemic has no significant impact on the Group's operations.

13. SUPPLEMENTARY DISCLOSURES

(According to the regulatory requirement, only information for the nine-month period ended September 30, 2021 is disclosed.)

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Group's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 2.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting period: None.

J. Significant inter-company transactions during the reporting period: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

The management of the Group has identified the operating segments based on how the Group's chief operating decision maker regularly reviews information in order to make decisions.

(2) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	For the nine-month period ended September 30, 2021					
	<u>CHIEFTEK</u>	<u>Chieftek</u>				
	<u>PRECISION</u>	<u>(Kunshan)</u>	<u>cpc Europa</u>	<u>cpc USA</u>	<u>Others</u>	<u>Total</u>
Segment revenue	\$ 1,056,991	\$322,337	\$ 301,115	\$ 141,829	\$ 7,512	\$ 1,829,784
Inter-segment revenue	421,876	17	110	-	7,512	429,515
External revenue	635,115	322,320	301,005	141,829	-	1,400,269
Interest income	75	1,284	-	74	42	1,475
Depreciation and amortization	61,659	217	1,790	330	2,259	66,255
Capital expenditures	152,224	36	494	436	-	153,190
Interest expense	8,976	-	41	-	1,784	10,801
Segment pre-tax income	296,725	60,167	32,004	29,307	1,590	419,793
Segment assets	3,085,433	282,375	117,322	86,953	184,174	3,756,257
Segment liabilities	1,421,794	8,214	16,137	2,365	81,939	1,530,449

For the nine-month period ended September 30, 2020

	<u>CHIEFTEK PRECISION</u>	<u>Chieftek (Kunshan)</u>	<u>cpc Europa</u>	<u>cpc USA</u>	<u>Others</u>	<u>Total</u>
Segment revenue	\$ 805,673	\$ 323,720	\$ 193,954	\$ 107,400	\$ 9,177	\$ 1,439,924
Inter-segment revenue	401,529	-	-	-	9,177	410,706
External revenue	404,144	323,720	193,954	107,400	-	1,029,218
Interest income	388	917	1	206	98	1,610
Depreciation and amortization	62,295	285	1,974	490	2,443	67,487
Capital expenditures	247,318	-	133	710	-	248,161
Interest expense	9,658	-	359	-	3,081	13,098
Segment pre-tax income	176,929	45,953	12,151	11,442	411	246,886
Segment assets	2,776,889	315,810	109,449	88,708	249,420	3,540,276
Segment liabilities	1,352,769	6,944	46,459	569	78,564	1,485,305

(3) Reconciliation for segment income

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segments pre-tax income to profit before income tax from continuing operations is provided as follows:

	For the nine-month periods ended September 30,	
	2021	2020
Reportable segments pre-tax income	\$ 418,203	\$ 246,475
Other segments pre-tax gain	1,590	411
Inter segments gain	(87,030)	(62,120)
Profit before income tax	<u>\$ 332,763</u>	<u>\$ 184,766</u>

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the nine-month period ended September 30, 2021

Table 1

Expressed in thousands of NTD

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2021	Outstanding endorsement/ guarantee amount at September 30, 2021	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	\$ 1,112,904	\$ 157,590	\$ -	\$ -	\$ -	-	\$ 1,112,904	Y	N	N	-

(Note 1) The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

(Note 2) The following code represents the relationship with the Company:

(1) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(Note 3) (1) The total endorsements/guarantees provided shall not exceed 50% of the Company's net assets, and the amount provided for each counterparty shall not exceed 20% of the Company's paid-in capital. However, the limitation is not applied to subsidiaries that the Company directly or indirectly holds more than 50% of the voting shares.

(2) For trading partner, except for the abovementioned limit, the maximum amount for individual trading partner shall not exceed the higher of total purchase and sale transactions during the most recent year.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

For the nine-month period ended September 30, 2021

Table 2

Expressed in thousands of NTD

If the counterparty is a related party, information as to the last transaction of the
real estate is disclosed below:

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
CHIEFTEK PRECISION CO., LTD.	Sugu new factory construction phase II	May 17, 2019	\$ 454,419	\$ 390,247	Hong Sheng Construction Corp.	—	—	—	—	\$ -	Negotiation	Building for operation use. Under construction.	—

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the nine-month period ended September 30, 2021

Table 3

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	Subsidiary	(Sales)	\$ 161,131	(15%)	(Note 1)	\$ -	(Note 2)	\$ 56,095	14%	—
	Chieftek Machinery (Kunshan) Co., Ltd.	Subsidiary	(Sales)	(179,367)	(17%)	(Note 1)	-	(Note 2)	42,649	8%	—
cpc Europa GmbH	CHIEFTEK PRECISION CO., LTD.	Parent company	Purchases	161,131	84%	(Note 1)	-	(Note 3)	(56,095)	(99%)	—
Chieftek Machinery (Kunshan) Co., Ltd.	CHIEFTEK PRECISION CO., LTD.	Parent company	Purchases	179,367	99%	(Note 1)	-	(Note 3)	(42,649)	(100%)	—

(Note 1) 180 days after monthly- closing, T/T.

(Note 2) The Company's collection terms to third parties are 30 to 180 days after monthly statements.

(Note 3) The Company's collection terms to third parties are 30 to 60 days after monthly statements.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the nine-month period ended September 30, 2021

Table 4

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	Sales revenue	(\$ 161,131)	180 days after monthly-closing, T/T	(12%)
				Accounts receivable	56,095	—	1%
		CHIEFTEK PRECISION USA CO., LTD.	1	Sales revenue	(81,378)	180 days after monthly-closing, T/T	(6%)
				Accounts receivable	30,754	—	1%
1	CHIEFTEK PRECISION USA CO., LTD.	Chieftek Machinery (Kunshan) Co., Ltd.	1	Sales revenue	(179,367)	180 days after monthly-closing, T/T	(13%)
				Accounts receivable	42,649	—	1%
		CHIEFTEK PRECISION INTERNATINAL LLC	3	Rent payment	7,512	—	1%
				Refundable deposits	1,393	—	—

(Note 1) The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

(Note 2) Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

(Note 3) Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

(Note 4) Only transactions over 1 million are disclosed.

(Note 5) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:27.85) as of September 30, 2021.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Names, locations and other information of investee companies (not including investees in Mainland China)

For the nine-month period ended September 30, 2021

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of September 30, 2021			Net profit (loss) of the investee for the nine-month period ended September 30, 2021	Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2021	Footnote
				Balance as of September 30, 2021	Balance as of December 31, 2020	Number of shares	Ownership (%)	Book value			
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION HOLDING CO., LTD.	Samoa	Professional investment	\$ 152,263	\$ 152,263	5,100,000	100	\$ 231,563	\$ 27,324	\$ 27,324	Subsidiary
	CHIEFTEK PRECISION INTERNATIONAL LLC	United States of America	Lease of real estate property	110,054	110,054	-	100	100,808	1,474	1,474	Subsidiary
	CHIEFTEK PRECISION USA CO., LTD.	United States of America	Sale of high precision linear motion components and rendering after-sale services	50,027	50,027	1,660,000	100	55,151	26,228	26,228	Subsidiary
	cpc Europa GmbH	Germany	Sale of high precision linear motion components and rendering after-sale services	98,695	98,695	-	100	45,529	32,004	32,004	Subsidiary
CHIEFTEK PRECISION HOLDING CO., LTD.	Chieftek Precision (Hong Kong) Co., Limited	Hong Kong	Professional investment	26	142,035	927	100	26	39,204	-	Subsidiary (Note 1)

(Note 1) Not required to disclose income (loss) recognized by the Company.

(Note 2) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:27.85) as of September 30, 2021.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Basic information

For the nine-month period ended September 30, 2021

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021	Net income of investee for the nine-month period ended September 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2021 (Note 2)	Book value of investments in Mainland China as of September 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chieftek Machinery (Kunshan) Co., Ltd	Production, processing and sale of high precision linear motion components and rendering after-sale services	\$ 142,035	Note 1	\$ 142,035	\$ -	\$ -	\$ 142,035	\$ 43,236	100%	\$ 43,236	\$ 237,636	\$ 175,152	—

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
CHIEFTEK PRECISION CO., LTD.	\$ 142,035	\$ 142,035	\$ 1,335,485

(Note 1) Through investing in an existing company in the third area (Chieftek Precision (Hong Kong) Co., Ltd.) which then invested in the investee in Mainland China.

(Note 2) The investment income (loss) is recognized based on the investees' financial statements that were reviewed by the parent company's auditors for the nine-month period ended September 30, 2021.

(Note 3) The ceiling amount is 60% of the higher of net worth or consolidated net worth.

(Note 4) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:27.85) as of September 30, 2021.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area

For the nine-month period ended September 30, 2021

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Sales (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at September 30, 2021	%	Balance at September 30, 2021	Purpose	Maximum balance during the nine-month period ended September 30, 2021	Balance at September 30, 2021	Interest rate	Interest during the nine-month period ended September 30, 2021	Others
Chieftek Machinery (Kunshan) Co., Ltd	\$ 179,367	17%	\$ -	-	\$ 42,649	11%	\$ -	-	\$ -	\$ -	-	\$ -	\$ -

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Major shareholders information

September 30, 2021

Table 8

Expressed in share

Name of the major shareholder	Number of shares		Ownership (%)
	Common stock		
Hsu, Ming-Che	5,579,338	6.87%	
Xinzhide Investment Co.,Ltd.	4,288,000	5.28%	

Note: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements is different from the actual number of shares issued in dematerialised form because of the different calculation basis.