

**CHIEFTEK PRECISION CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REVIEW REPORT  
JUNE 30, 2022 AND 2021**

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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 June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-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**

The financial statements of insignificant consolidated subsidiaries and related information disclosed in Note 13 were not reviewed by independent auditors. Those statements reflect total assets of NT\$299,222 thousand and NT\$296,248 thousand, both constituting 8% of the consolidated total assets, and total liabilities of NT\$88,875 thousand and NT\$84,026 thousand, constituting 5% and 6% of the consolidated total liabilities as of June 30, 2022 and 2021, respectively, and total comprehensive income of NT\$10,716 thousand, NT\$11,413 thousand, NT\$20,919 thousand and NT\$21,795 thousand,

constituting 12%, 15%, 12% and 16% of the consolidated total comprehensive income for the three-month and six-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 June 30, 2022 and 2021, and of its consolidated financial performance for the three-month and six-month periods then ended and its consolidated cash flows for the six-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

August 11, 2022

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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**  
**JUNE 30, 2022, DECEMBER 31, 2021 AND JUNE 30, 2021**

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of June 30, 2022 and 2021 are reviewed, not audited)

Assets	Notes	June 30, 2022		December 31, 2021		June 30, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 967,093	24	\$ 801,950	21	\$ 731,147	20
1136	Financial assets at amortized cost -	6(2)						
	current		84,349	2	70,412	2	70,841	2
1150	Notes receivable, net	6(3)	16,459	1	46,317	1	31,297	1
1170	Accounts receivable, net	6(3) and 12	325,852	8	401,437	11	401,937	11
1200	Other receivables		1,012	-	6,756	-	2,620	-
1220	Current income tax assets	6(22)	-	-	-	-	2,448	-
130X	Inventories	6(4)	524,382	13	441,898	12	484,121	13
1410	Prepayments		63,266	2	45,386	1	49,944	2
11XX	<b>Total current assets</b>		<u>1,982,413</u>	<u>50</u>	<u>1,814,156</u>	<u>48</u>	<u>1,774,355</u>	<u>49</u>
<b>Non-current assets</b>								
1600	Property, plant and equipment	6(5) and 8	1,741,337	44	1,711,186	45	1,565,519	43
1755	Right-of-use assets	6(6)	127,259	3	123,377	3	126,489	3
1780	Intangible assets	6(7)	75,042	2	79,576	2	96,875	3
1840	Deferred income tax assets	6(22)	21,074	-	12,919	1	21,926	1
1915	Prepayments for equipment	6(5)	23,361	1	43,508	1	58,166	1
1920	Guarantee deposits paid		10,366	-	7,999	-	10,322	-
1990	Other non-current assets		4,002	-	4,478	-	3,434	-
15XX	<b>Total non-current assets</b>		<u>2,002,441</u>	<u>50</u>	<u>1,983,043</u>	<u>52</u>	<u>1,882,731</u>	<u>51</u>
1XXX	<b>Total assets</b>		<u>\$ 3,984,854</u>	<u>100</u>	<u>\$ 3,797,199</u>	<u>100</u>	<u>\$ 3,657,086</u>	<u>100</u>

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**CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2022, DECEMBER 31, 2021 AND JUNE 30, 2021**

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of June 30, 2022 and 2021 are reviewed, not audited)

Liabilities and Equity	Notes	June 30, 2022		December 31, 2021		June 30, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Liabilities</b>								
<b>Current liabilities</b>								
2100	Short-term borrowings	6(8)	\$ 240,000	6	\$ 230,000	6	\$ 364,000	10
2130	Current contract liabilities	6(15)	3,473	-	2,626	-	3,831	-
2150	Notes payable		135,746	4	161,421	4	124,253	3
2170	Accounts payable		78,709	2	49,456	1	62,543	2
2200	Other payables	6(9)	309,644	8	169,011	5	169,129	5
2230	Current income tax liabilities	6(22)	44,772	1	50,557	2	20,603	1
2280	Current lease liabilities	6(6)(19)	5,662	-	5,308	-	5,261	-
2320	Long-term liabilities, current portion	6(10), 8 and 9	86,758	2	78,553	2	75,889	2
21XX	<b>Total current liabilities</b>		<u>904,764</u>	<u>23</u>	<u>746,932</u>	<u>20</u>	<u>825,509</u>	<u>23</u>
<b>Non-current liabilities</b>								
2540	Long-term borrowings	6(10), 8 and 9	582,383	15	624,585	17	553,207	15
2570	Deferred income tax liabilities	6(22)	20,053	-	10,968	-	17,502	1
2580	Non-current lease liabilities	6(6)(19)	125,357	3	121,278	3	123,943	3
2640	Net defined benefit liabilities	6(11)	7,333	-	7,481	-	7,015	-
25XX	<b>Total non-current liabilities</b>		<u>735,126</u>	<u>18</u>	<u>764,312</u>	<u>20</u>	<u>701,667</u>	<u>19</u>
2XXX	<b>Total liabilities</b>		<u>1,639,890</u>	<u>41</u>	<u>1,511,244</u>	<u>40</u>	<u>1,527,176</u>	<u>42</u>
<b>Equity</b>								
Share capital 6(12)(14)								
3110	Common stock		811,876	21	811,876	21	811,876	22
3150	Stock dividends to be distributed		80,743	2	-	-	-	-
Capital reserves 6(13)								
3200	Capital surplus		440,667	11	440,667	12	440,667	12
Retained earnings 6(14)								
3310	Legal reserve		213,096	6	182,266	5	162,016	4
3320	Special reserve		50,626	1	36,323	1	29,394	1
3350	Unappropriated retained earnings		808,537	20	891,999	23	760,599	21
3400	Other equity interest		( 34,031)	( 1)	( 50,626)	( 1)	( 48,092)	( 1)
3500	Treasury stocks	6(12)	( 26,550)	( 1)	( 26,550)	( 1)	( 26,550)	( 1)
3XXX	<b>Total equity</b>		<u>2,344,964</u>	<u>59</u>	<u>2,285,955</u>	<u>60</u>	<u>2,129,910</u>	<u>58</u>
Significant Contingent Liabilities and 6(6) and 9								
Unrecognized Contract Commitments								
3X2X	<b>Total liabilities and equity</b>		<u>\$ 3,984,854</u>	<u>100</u>	<u>\$ 3,797,199</u>	<u>100</u>	<u>\$ 3,657,086</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 SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)  
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2022		2021		2022		2021	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(15)	\$ 451,641	100	\$ 489,769	100	\$ 845,076	100	\$ 908,423	100
5000 Operating costs	6(4)(11)(20)(21)	( 251,346)	( 56)	( 282,414)	( 58)	( 483,600)	( 57)	( 524,798)	( 58)
5900 Net operating margin		<u>200,295</u>	<u>44</u>	<u>207,355</u>	<u>42</u>	<u>361,476</u>	<u>43</u>	<u>383,625</u>	<u>42</u>
Operating expenses	6(7)(11)(20)(21) and 7								
6100 Selling expenses		( 29,236)	( 6)	( 22,502)	( 5)	( 59,024)	( 7)	( 45,345)	( 5)
6200 General and administrative expenses		( 41,685)	( 9)	( 37,003)	( 7)	( 81,007)	( 10)	( 78,325)	( 9)
6300 Research and development expenses		( 20,785)	( 5)	( 23,968)	( 5)	( 38,461)	( 4)	( 43,415)	( 5)
6450 Expected credit impairment gain	12	<u>1,192</u>	<u>-</u>	<u>2,813</u>	<u>1</u>	<u>52</u>	<u>-</u>	<u>5,271</u>	<u>1</u>
6000 Total operating expenses		( 90,514)	( 20)	( 80,660)	( 16)	( 178,440)	( 21)	( 161,814)	( 18)
6900 Operating profit		<u>109,781</u>	<u>24</u>	<u>126,695</u>	<u>26</u>	<u>183,036</u>	<u>22</u>	<u>221,811</u>	<u>24</u>
Non-operating income and expenses									
7100 Interest income	6(2)(16)	725	-	355	-	1,193	-	595	-
7010 Other income	6(17)	630	-	6,073	1	1,619	-	6,794	1
7020 Other gains and losses	6(18) and 12	6,186	2	( 11,383)	( 2)	28,817	4	( 15,950)	( 2)
7050 Finance costs	6(6)(19)	( 3,607)	( 1)	( 3,452)	( 1)	( 7,227)	( 1)	( 7,151)	( 1)
7000 Total non-operating income and expenses		<u>3,934</u>	<u>1</u>	<u>( 8,407)</u>	<u>( 2)</u>	<u>24,402</u>	<u>3</u>	<u>( 15,712)</u>	<u>( 2)</u>
7900 Profit before income tax		<u>113,715</u>	<u>25</u>	<u>118,288</u>	<u>24</u>	<u>207,438</u>	<u>25</u>	<u>206,099</u>	<u>22</u>
7950 Income tax expense	6(22)	( 23,051)	( 5)	( 35,032)	( 7)	( 43,910)	( 5)	( 56,364)	( 6)
8200 Profit for the period		<u>\$ 90,664</u>	<u>20</u>	<u>\$ 83,256</u>	<u>17</u>	<u>\$ 163,528</u>	<u>20</u>	<u>\$ 149,735</u>	<u>16</u>
<b>Other comprehensive income (loss) (Net)</b>									
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>									
8361 Financial statements translation differences of foreign operations		<u>\$ 2,009</u>	<u>1</u>	<u>( \$ 8,900)</u>	<u>( 2)</u>	<u>\$ 16,595</u>	<u>2</u>	<u>( \$ 11,769)</u>	<u>( 1)</u>
8300 Total other comprehensive income (loss) for the period		<u>\$ 2,009</u>	<u>1</u>	<u>( \$ 8,900)</u>	<u>( 2)</u>	<u>\$ 16,595</u>	<u>2</u>	<u>( \$ 11,769)</u>	<u>( 1)</u>
8500 Total comprehensive income for the period		<u>\$ 92,673</u>	<u>21</u>	<u>\$ 74,356</u>	<u>15</u>	<u>\$ 180,123</u>	<u>22</u>	<u>\$ 137,966</u>	<u>15</u>
Earnings per share (in dollars)	6(23)								
9750 Basic		<u>\$ 1.12</u>		<u>\$ 1.03</u>		<u>\$ 2.03</u>		<u>\$ 1.85</u>	
9850 Diluted		<u>\$ 1.12</u>		<u>\$ 1.03</u>		<u>\$ 2.02</u>		<u>\$ 1.85</u>	

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 SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)  
(REVIEWED, NOT AUDITED)

	Share Capital			Retained Earnings			Other Equity Interest	Treasury stocks	Total equity	
	Notes	Share capital - common stock	Stock dividends to be distributed	Capital reserve	Legal reserve	Special reserve	Unappropriated retained earnings			Financial statements translation differences of foreign operations
<u>For the six-month period ended June 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		-	-	-	-	-	149,735	-	-	149,735
Other comprehensive loss for the period		-	-	-	-	-	-	( 11,769)	-	( 11,769)
Total comprehensive income (loss) for the period		-	-	-	-	-	149,735	( 11,769)	-	137,966
Appropriation of 2020 earnings										
Cash dividends	6(14)	-	-	-	-	-	( 121,114)	-	-	( 121,114)
Balance at June 30, 2021		<u>\$ 811,876</u>	<u>\$ -</u>	<u>\$ 440,667</u>	<u>\$ 162,016</u>	<u>\$ 29,394</u>	<u>\$ 760,599</u>	<u>(\$ 48,092)</u>	<u>(\$ 26,550)</u>	<u>\$ 2,129,910</u>
<u>For the six-month period ended June 30, 2022</u>										
Balance at January 1, 2022		\$ 811,876	\$ -	\$ 440,667	\$ 182,266	\$ 36,323	\$ 891,999	(\$ 50,626)	(\$ 26,550)	\$ 2,285,955
Profit for the period		-	-	-	-	-	163,528	-	-	163,528
Other comprehensive income for the period		-	-	-	-	-	-	16,595	-	16,595
Total comprehensive income for the period		-	-	-	-	-	163,528	16,595	-	180,123
Appropriations of 2021 earnings										
Legal reserve		-	-	-	30,830	-	( 30,830)	-	-	-
Special reserve	6(14)	-	-	-	-	14,303	( 14,303)	-	-	-
Cash dividends	6(14)	-	-	-	-	-	( 121,114)	-	-	( 121,114)
Stock dividends	6(12)(14)	-	80,743	-	-	-	( 80,743)	-	-	-
Balance at June 30, 2022		<u>\$ 811,876</u>	<u>\$ 80,743</u>	<u>\$ 440,667</u>	<u>\$ 213,096</u>	<u>\$ 50,626</u>	<u>\$ 808,537</u>	<u>(\$ 34,031)</u>	<u>(\$ 26,550)</u>	<u>\$ 2,344,964</u>

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 SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)  
(REVIEWED, NOT AUDITED)

	Notes	For the six-month periods ended June 30,	
		2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 207,438	\$ 206,099
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment gain	12	( 52 )	( 5,271 )
Loss on inventory market price decline	6(4)	2,396	580
Depreciation	6(5)(6)(20)	38,299	39,759
Gain on disposal of property, plant and equipment	6(18)	( 19 )	-
Amortization	6(7)(20)	4,920	5,312
Interest income	6(16)	( 1,193 )	( 595 )
Interest expense	6(19)	7,227	7,151
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		29,858	( 3,530 )
Accounts receivable		75,351	( 51,402 )
Other receivables		5,744	6,895
Inventories		( 85,556 )	73,710
Prepayments		( 17,880 )	( 13,895 )
Changes in operating liabilities			
Current contract liabilities		847	( 976 )
Notes payable		7,980	41,038
Accounts payable		29,253	13,332
Other payables		31,799	60,024
Net defined benefit liabilities		( 148 )	( 148 )
Cash inflow generated from operations		336,264	378,083
Interest received		1,193	595
Interest paid		( 7,248 )	( 7,221 )
Income tax received		10	-
Income tax paid		( 49,705 )	( 19,896 )
Net cash flows from operating activities		<u>280,514</u>	<u>351,561</u>

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CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)  
(REVIEWED, NOT AUDITED)

	Notes	For the six-month periods ended June 30,	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at amortized cost -			
current		(\$ 13,937 )	(\$ 63,481 )
Cash paid for acquisition of property, plant and equipment	6(24)	( 72,221 )	( 69,165 )
Proceeds from disposal of property, plant and equipment		19	-
Acquisition of intangible assets	6(7)	( 386 )	( 606 )
Increase in prepayments for equipment		( 7,405 )	( 10,950 )
Increase in guarantee deposits paid		( 2,367 )	( 547 )
Decrease in other non-current assets		476	1,878
Net cash flows used in investing activities		( 95,821 )	( 142,871 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings	6(25)	10,000	( 14,370 )
Payments of lease liability	6(25)	( 2,794 )	( 2,596 )
Increase in long-term borrowings	6(25)	-	100,000
Decrease in long-term borrowings	6(25)	( 39,905 )	( 81,698 )
Payments of cash dividends	6(14)(24)	-	( 121,114 )
Net cash flows used in financing activities		( 32,699 )	( 119,778 )
Effect of foreign exchange rate changes on cash and cash equivalents		13,149	( 12,362 )
Net increase in cash and cash equivalents		165,143	76,550
Cash and cash equivalents at beginning of period	6(1)	801,950	654,597
Cash and cash equivalents at end of period	6(1)	\$ 967,093	\$ 731,147

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 SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021

(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 sales 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 August 11, 2022.

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 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board (“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.

(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 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
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.

(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
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	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 adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2021, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

A. 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.

B. The consolidated financial statements of the Group should be read together with the consolidated financial statements for the year ended December 31, 2021.

(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:

The basis for preparation of consolidated financial statements is the same as the basis for the consolidated financial statements for the year ended December 31, 2021.

- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Note
			June 30, 2022	December 31, 2021	June 30, 2021	
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	-

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Note
			June 30, 2022	December 31, 2021	June 30, 2021	
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	100	-	Note 2
CHIEFTEK PRECISION (Hong Kong) Co., Limited	Chieftek Machinery (Kunshan) Co., Ltd. (“Chieftek (Kunshan)”)	Production, processing and sales of high precision linear motion components and after-sales service	-	-	100	Note 2

Note 1: The financial statements of the entity as of and for the six-month periods ended June 30, 2022 and 2021 were not reviewed by independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 2: 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) 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

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' remuneration

Employees' compensation and directors' 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.

#### (5) Income tax

The interim period income tax expense is recognized 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.

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

There have been no significant changes as of June 30, 2022. Refer to Note 5 in the consolidated financial statements for the year ended December 31, 2021.

### 6. DETAILS OF SIGNIFICANT ACCOUNTS

#### (1) Cash and cash equivalents

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Cash:			
Cash on hand	\$ 1,233	\$ 1,294	\$ 1,343
Checking accounts and demand deposits	964,539	799,322	728,387
	<u>965,772</u>	<u>800,616</u>	<u>729,730</u>
Cash Equivalents:			
Time deposits	1,321	1,334	1,417
	<u>\$ 967,093</u>	<u>\$ 801,950</u>	<u>\$ 731,147</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 June 30, 2022, December 31, 2021 and June 30, 2021.

#### (2) Financial assets at amortized cost - current

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Restricted demand deposits (Note)	\$ 67,888	\$ 63,206	\$ 63,610
Time deposits with maturity of over 3 months	16,461	7,206	7,231
	<u>\$ 84,349</u>	<u>\$ 70,412</u>	<u>\$ 70,841</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 \$36, \$13, \$47 and \$31 from financial assets at amortized cost for the three-month and six-month periods ended June 30, 2022 and 2021, respectively, shown as part of “Interest Income”.
- B. As of June 30, 2022, December 31, 2021 and June 30, 2021, 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 June 30, 2022, December 31, 2021 and June 30, 2021.
- D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2), ‘Financial instruments’. The counterparties of the Group’s investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable, net

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Notes receivable	\$ 16,459	\$ 46,317	\$ 31,297
	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Accounts receivable	\$ 342,027	\$ 417,378	\$ 421,353
Less: Allowance for doubtful accounts	( 16,175)	( 15,941)	( 19,416)
	<u>\$ 325,852</u>	<u>\$ 401,437</u>	<u>\$ 401,937</u>

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

	<u>June 30, 2022</u>		<u>December 31, 2021</u>		<u>June 30, 2021</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	\$ 272,828	\$ 16,282	\$ 358,480	\$ 46,143	\$ 370,863	\$ 31,125
Up to 30 days	21,174	-	19,335	-	25,131	-
31 to 90 days	24,439	-	21,394	-	4,155	-
91 to 180 days	7,804	-	1,313	-	1,500	-
Over 180 days	15,782	177	16,856	174	19,704	172
	<u>\$ 342,027</u>	<u>\$ 16,459</u>	<u>\$ 417,378</u>	<u>\$ 46,317</u>	<u>\$ 421,353</u>	<u>\$ 31,297</u>

The above ageing analysis was based on past due date.

- B. As of January 1, 2021, the balances of notes receivable and accounts receivable from contracts with customers amounted to \$398,512.

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 June 30, 2022, December 31, 2021 and June 30, 2021, 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

	June 30, 2022		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 70,835	(\$ 3,361)	\$ 67,474
Supplies	97,337	( 11,877)	85,460
Work in process	245,856	( 19,991)	225,865
Finished goods	182,334	( 36,751)	145,583
	<u>\$ 596,362</u>	<u>(\$ 71,980)</u>	<u>\$ 524,382</u>

	December 31, 2021		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 64,678	(\$ 3,540)	\$ 61,138
Supplies	80,027	( 10,629)	69,398
Work in process	231,543	( 19,502)	212,041
Finished goods	134,558	( 35,237)	99,321
	<u>\$ 510,806</u>	<u>(\$ 68,908)</u>	<u>\$ 441,898</u>

	June 30, 2021		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 71,935	(\$ 3,041)	\$ 68,894
Supplies	73,146	( 9,735)	63,411
Work in process	259,141	( 17,070)	242,071
Finished goods	145,888	( 36,143)	109,745
	<u>\$ 550,110</u>	<u>(\$ 65,989)</u>	<u>\$ 484,121</u>



The cost of inventories recognized as expense for the period:

	<u>For the three-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 251,133	\$ 283,115
Allowance for inventory market price decline	261 (	218)
Loss (gain) on physical inventory	120 (	340)
Revenue from sale of scraps	( 168)	( 143)
	<u>\$ 251,346</u>	<u>\$ 282,414</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 481,309	\$ 524,719
Allowance for inventory market price decline	2,396	580
Loss (gain) on physical inventory	266 (	194)
Revenue from sale of scraps	( 371)	( 307)
	<u>\$ 483,600</u>	<u>\$ 524,798</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, 2022</u>								
Cost	\$ 365,709	\$ 748,444	\$ 957,336	\$ 5,747	\$ 22,229	\$ 175,530	\$ 659,736	\$ 2,934,731
Accumulated depreciation	-	( 186,939)	( 864,267)	( 4,110)	( 20,147)	( 148,082)	-	( 1,223,545)
	<u>\$ 365,709</u>	<u>\$ 561,505</u>	<u>\$ 93,069</u>	<u>\$ 1,637</u>	<u>\$ 2,082</u>	<u>\$ 27,448</u>	<u>\$ 659,736</u>	<u>\$ 1,711,186</u>
<u>2022</u>								
At January 1, 2022	\$ 365,709	\$ 561,505	\$ 93,069	\$ 1,637	\$ 2,082	\$ 27,448	\$ 659,736	\$ 1,711,186
Additions	-	2,133	2,678	-	1,011	576	19,909	26,307
Transferred from prepayments for equipment	-	-	-	-	-	-	27,552	27,552
Transferred after acceptance inspection	-	726	-	-	-	51	( 777)	-
Depreciation	-	( 10,870)	( 16,539)	( 291)	( 618)	( 6,636)	-	( 34,954)
Disposals – Cost	-	-	-	( 1,440)	( 37)	( 85)	-	( 1,562)
– Accumulated depreciation	-	-	-	1,440	37	85	-	1,562
Net currency exchange differences	3,600	7,612	( 5)	2	46	( 9)	-	11,246
At June 30, 2022	<u>\$ 369,309</u>	<u>\$ 561,106</u>	<u>\$ 79,203</u>	<u>\$ 1,348</u>	<u>\$ 2,521</u>	<u>\$ 21,430</u>	<u>\$ 706,420</u>	<u>\$ 1,741,337</u>
<u>At June 30, 2022</u>								
Cost	\$ 369,309	\$ 760,742	\$ 960,423	\$ 4,325	\$ 23,321	\$ 176,053	\$ 706,420	\$ 3,000,593
Accumulated depreciation	-	( 199,636)	( 881,220)	( 2,977)	( 20,800)	( 154,623)	-	( 1,259,256)
	<u>\$ 369,309</u>	<u>\$ 561,106</u>	<u>\$ 79,203</u>	<u>\$ 1,348</u>	<u>\$ 2,521</u>	<u>\$ 21,430</u>	<u>\$ 706,420</u>	<u>\$ 1,741,337</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, 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>2021</u>								
At January 1, 2021	\$ 367,121	\$ 584,000	\$ 113,113	\$ 1,874	\$ 2,868	\$ 19,381	\$ 443,763	\$ 1,532,120
Additions	-	291	1,526	-	419	1,352	69,140	72,728
Transferred from prepayments for equipment	-	-	-	-	-	-	1,258	1,258
Transferred after acceptance inspection	-	193	260	-	-	10,457	( 10,910)	-
Depreciation	-	( 10,268)	( 19,778)	( 260)	( 875)	( 5,466)	-	( 36,647)
Disposals — Cost	-	-	( 138)	-	( 927)	( 15)	-	( 1,080)
— Accumulated depreciation	-	-	138	-	927	15	-	1,080
Net currency exchange differences	( 1,094)	( 2,385)	( 379)	( 2)	( 12)	( 68)	-	( 3,940)
At June 30, 2021	<u>\$ 366,027</u>	<u>\$ 571,831</u>	<u>\$ 94,742</u>	<u>\$ 1,612</u>	<u>\$ 2,400</u>	<u>\$ 25,656</u>	<u>\$ 503,251</u>	<u>\$ 1,565,519</u>
<u>At June 30, 2021</u>								
Cost	\$ 366,027	\$ 748,613	\$ 945,031	\$ 6,747	\$ 21,873	\$ 167,815	\$ 503,251	\$ 2,759,357
Accumulated depreciation	-	( 176,782)	( 850,289)	( 5,135)	( 19,473)	( 142,159)	-	( 1,193,838)
	<u>\$ 366,027</u>	<u>\$ 571,831</u>	<u>\$ 94,742</u>	<u>\$ 1,612</u>	<u>\$ 2,400</u>	<u>\$ 25,656</u>	<u>\$ 503,251</u>	<u>\$ 1,565,519</u>

- A. Property, plant and equipment of the Group were all for operating purposes as of June 30, 2022, December 31, 2021 and June 30, 2021.
- B. For the three-month and six-month periods ended June 30, 2022 and 2021, 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 June 30, 2022, December 31, 2021 and June 30, 2021 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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Land	\$ 127,259	\$ 123,377	\$ 126,489

Depreciation charge:

	<u>For the three-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 1,672	\$ 1,556

	<u>For the six-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 3,345	\$ 3,112

- C. For the six-month periods ended June 30, 2022 and 2021, the additions to right-of-use assets were \$7,227 and \$—, respectively.
- D. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the three-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 593	\$ 585
Expense on short-term lease contracts	\$ 3,104	\$ 2,941
	<u>For the six-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,192	\$ 1,175
Expense on short-term lease contracts	\$ 6,109	\$ 5,988

- E. For the six-month periods ended June 30, 2022 and 2021, the Group’s total cash outflow for leases were \$10,095 and \$9,759, respectively.

(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, 2022</u>						
Cost	\$ 578	\$ 11,333	\$ 12,712	\$ 90,718	\$ 60,000	\$ 175,341
Accumulated amortization	( 578)	( 4,430)	( 12,613)	( 18,144)	( 13,500)	( 49,265)
Accumulated impairment	-	-	-	-	( 46,500)	( 46,500)
Net value	<u>\$ -</u>	<u>\$ 6,903</u>	<u>\$ 99</u>	<u>\$ 72,574</u>	<u>\$ -</u>	<u>\$ 79,576</u>
<u>2022</u>						
Net value at January 1, 2022	\$ -	\$ 6,903	\$ 99	\$ 72,574	\$ -	\$ 79,576
Additions—acquired separately	65	321	-	-	-	386
Amortization	( 1)	( 355)	( 28)	( 4,536)	-	( 4,920)
Net value at June 30, 2022	<u>\$ 64</u>	<u>\$ 6,869</u>	<u>\$ 71</u>	<u>\$ 68,038</u>	<u>\$ -</u>	<u>\$ 75,042</u>
<u>At June 30, 2022</u>						
Cost	\$ 643	\$ 11,654	\$ 12,693	\$ 90,718	\$ 60,000	\$ 175,708
Accumulated amortization	( 579)	( 4,785)	( 12,622)	( 22,680)	( 13,500)	( 54,166)
Accumulated impairment	-	-	-	-	( 46,500)	( 46,500)
Net value	<u>\$ 64</u>	<u>\$ 6,869</u>	<u>\$ 71</u>	<u>\$ 68,038</u>	<u>\$ -</u>	<u>\$ 75,042</u>

	Trademarks	Patents	Software	Turn-key professional technique	Others	Total
<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>2021</u>						
Net value at January 1, 2021	\$ -	\$ 6,382	\$ 693	\$ 81,646	\$ 12,874	\$ 101,595
Additions — acquired separately	-	480	126	-	-	606
Amortization	-	( 351)	( 425)	( 4,536)	-	( 5,312)
Net currency exchange differences	-	-	( 14)	-	-	( 14)
Net value at June 30, 2021	<u>\$ -</u>	<u>\$ 6,511</u>	<u>\$ 380</u>	<u>\$ 77,110</u>	<u>\$ 12,874</u>	<u>\$ 96,875</u>
<u>At June 30, 2021</u>						
Cost	\$ 578	\$ 10,586	\$ 12,842	\$ 90,718	\$ 60,000	\$ 174,724
Accumulated amortization	( 578)	( 4,075)	( 12,462)	( 13,608)	( 13,500)	( 44,223)
Accumulated impairment	-	-	-	-	( 33,626)	( 33,626)
Net value	<u>\$ -</u>	<u>\$ 6,511</u>	<u>\$ 380</u>	<u>\$ 77,110</u>	<u>\$ 12,874</u>	<u>\$ 96,875</u>

A. For the three-month and six-month periods ended June 30, 2022 and 2021, 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 June 30,	
	2022	2021
General and administrative expenses	\$ 5	\$ 197
Research and development expenses	2,455	2,442
	<u>\$ 2,460</u>	<u>\$ 2,639</u>

  

	For the six-month periods ended June 30,	
	2022	2021
General and administrative expenses	\$ 12	\$ 411
Research and development expenses	4,908	4,901
	<u>\$ 4,920</u>	<u>\$ 5,312</u>

(8) Short-term borrowings

Nature	June 30, 2022	Interest rate range	Collateral
Bank unsecured borrowings	<u>\$ 240,000</u>	0.51%~1.10%	None

Nature	December 31, 2021	Interest rate range	Collateral
Bank unsecured borrowings	<u>\$ 230,000</u>	0.57%~0.85%	None

Nature	June 30, 2021	Interest rate range	Collateral
Bank unsecured borrowings	<u>\$ 364,000</u>	0.51%~0.90%	None

For more information about interest expense recognized by the Group for the three-month and six-month periods ended June 30, 2022 and 2021, refer to Note 6(19), 'Finance costs'.

(9) Other payables

	June 30, 2022	December 31, 2021	June 30, 2021
Dividends payable	\$ 121,114	\$ -	\$ -
Accrued salaries and bonuses	67,731	72,660	72,031
Employees' compensation and directors' and supervisors' remuneration payable	42,202	27,000	46,373
Equipment payable	2,948	15,207	3,593
Others	75,649	54,144	47,132
	<u>\$ 309,644</u>	<u>\$ 169,011</u>	<u>\$ 169,129</u>

(10) Long-term borrowings

<u>Nature</u>	<u>Expiry date</u>	<u>June 30, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Long-term bank borrowings				
Secured borrowings	March 20, 2025 ~ December 28, 2028	\$ 484,141	1.30% ~ 2.81%	Land, buildings and structures
Unsecured borrowings	November 20, 2023 ~ May 15, 2027	<u>185,000</u>	1.32% ~ 1.41%	None
		669,141		
Less: Current portion		( <u>86,758</u> )		
		<u>\$ 582,383</u>		

<u>Nature</u>	<u>Expiry date</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Long-term bank borrowings				
Secured borrowings	February 21, 2023 ~ December 28, 2027	\$ 493,138	1.04% ~ 2.81%	Land, buildings and structures
Unsecured borrowings	November 20, 2023 ~ May 15, 2027	<u>210,000</u>	1.14% ~ 1.30%	None
		703,138		
Less: Current portion		( <u>78,553</u> )		
		<u>\$ 624,585</u>		

<u>Nature</u>	<u>Expiry date</u>	<u>June 30, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Long-term bank borrowings				
Secured borrowings	May 15, 2027 ~ December 28, 2027	\$ 419,096	1.04% ~ 2.81%	Land, buildings and structures
Unsecured borrowings	November 20, 2023 ~ May 15, 2027	<u>210,000</u>	1.14% ~ 1.30%	None
		629,096		
Less: Current portion		( <u>75,889</u> )		
		<u>\$ 553,207</u>		

For more information about interest expense recognized by the Group for the three-month and six-month periods ended June 30, 2022 and 2021, refer to Note 6(19), 'Finance costs'.

(11) 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 six-month periods ended June 30, 2022 and 2021.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 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 six-month periods ended June 30, 2022 and 2021 were \$4,979, \$5,308, \$10,057 and \$8,490, respectively.

(12) Share capital – common stock and stock dividends to be distributed

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

	<u>For the six-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Balance at beginning and end of period	<u>80,743</u>	<u>80,743</u>

B. On May 27, 2022, the Company's stockholders adopted a resolution to issue shares of common stock due to capitalization of retained earnings of \$80,743 and obtained approval from the SFC. The effective date of capitalization was set on September 4, 2022.

C. 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):

<u>Reason for reacquisition</u>	<u>Balance at beginning and end of the six-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
To be reissued to employees	<u>445</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 June 30, 2022, December 31, 2021 and June 30, 2021, 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.
- D. As of June 30, 2022, 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.

(13) Capital reserve

For the six-month periods ended

June 30, 2022 and 2021	<u>Share premium</u>	<u>Others</u>	<u>Total</u>
Balances at beginning and end of period	\$ 440,553	\$ 114	\$ 440,667

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.

(14) 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, 2021, pursuant to the regulations for the deduction amount to stockholders' equity from other equity items, the Company has set aside special reserve of \$50,626, which cannot be distributed to shareholders.
- D. The Company recognized cash dividends distributed to owners both amounting to \$121,114 (\$1.5 (in dollars) per share) for the six-month periods ended June 30, 2022 and 2021. On May 27, 2022, the Company's stockholders resolved for the distribution of stock dividends from 2021 earnings in the amount of \$80,743 (\$1.0 (in dollars) per share).

(15) Operating revenue

	<u>For the three-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	<u>\$ 451,641</u>	<u>\$ 489,769</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	<u>\$ 845,076</u>	<u>\$ 908,423</u>

- A. The Group derives revenue from the transfer of goods at a point in time in segments. Refer to Note 14, 'Segment information' for details.
- B. The Group has recognized revenue-related contract liabilities amounting to \$3,473, \$2,626, \$3,831 and \$4,807 as of June 30, 2022, December 31, 2021, June 30, 2021 and January 1, 2021, respectively. Revenue recognized that were included in the contract liability balance at the beginning of 2022 and 2021 for the three-month and six-month periods ended June 30, 2022 and 2021 were \$—, \$108, \$1,174 and \$4,418, respectively.

(16) Interest income

	For the three-month periods ended June 30,	
	2022	2021
Interest income from bank deposits	\$ 689	\$ 342
Interest income from financial assets measured at amortized cost	36	13
	<u>\$ 725</u>	<u>\$ 355</u>

  

	For the six-month periods ended June 30,	
	2022	2021
Interest income from bank deposits	\$ 1,146	\$ 564
Interest income from financial assets measured at amortized cost	47	31
	<u>\$ 1,193</u>	<u>\$ 595</u>

(17) Other income

	For the three-month periods ended June 30,	
	2022	2021
Government grants revenue	\$ -	\$ 5,000
Other income – others	630	1,073
	<u>\$ 630</u>	<u>\$ 6,073</u>

  

	For the six-month periods ended June 30,	
	2022	2021
Government grants revenue	\$ -	\$ 5,000
Other income – others	1,619	1,794
	<u>\$ 1,619</u>	<u>\$ 6,794</u>

(18) Other gains and losses

	For the three-month periods ended June 30,	
	2022	2021
Currency exchange gain (loss)	\$ 6,349	(\$ 11,383)
Other losses	(163)	-
	<u>\$ 6,186</u>	<u>(\$ 11,383)</u>

	For the six-month periods ended June 30,	
	2022	2021
Currency exchange gain (loss)	\$ 28,799	(\$ 15,805)
Gain on disposal of property, plant and equipment	19	-
Other losses	(1)	(145)
	<u>\$ 28,817</u>	<u>(\$ 15,950)</u>

(19) Finance costs

	For the three-month periods ended June 30,	
	2022	2021
Interest expense:		
Interest expense on bank borrowings	\$ 3,014	\$ 2,867
Interest expense on lease liabilities	593	585
	<u>\$ 3,607</u>	<u>\$ 3,452</u>

	For the six-month periods ended June 30,	
	2022	2021
Interest expense:		
Interest expense on bank borrowings	\$ 6,035	\$ 5,976
Interest expense on lease liabilities	1,192	1,175
	<u>\$ 7,227</u>	<u>\$ 7,151</u>

(20) Expenses by nature

	For the three-month period ended June 30, 2022		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 82,277	\$ 49,421	\$ 131,698
Depreciation	12,135	6,552	18,687
Amortization	-	2,460	2,460
	<u>\$ 94,412</u>	<u>\$ 58,433</u>	<u>\$ 152,845</u>

	For the three-month period ended June 30, 2021		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 77,075	\$ 53,678	\$ 130,753
Depreciation	13,836	5,840	19,676
Amortization	-	2,639	2,639
	<u>\$ 90,911</u>	<u>\$ 62,157</u>	<u>\$ 153,068</u>

	For the six-month period ended June 30, 2022		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 164,183	\$ 95,780	\$ 259,963
Depreciation	24,656	13,643	38,299
Amortization	-	4,920	4,920
	<u>\$ 188,839</u>	<u>\$ 114,343</u>	<u>\$ 303,182</u>

For the six-month period ended June 30, 2021

	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expense	\$ 146,951	\$ 108,112	\$ 255,063
Depreciation	28,244	11,515	39,759
Amortization	-	5,312	5,312
	<u>\$ 175,195</u>	<u>\$ 124,939</u>	<u>\$ 300,134</u>

(21) Employee benefit expense

For the three-month period ended June 30, 2022

	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 69,078	\$ 44,479	\$ 113,557
Labor and health insurance expense	7,127	2,231	9,358
Pension costs	3,470	1,509	4,979
Other personnel expenses	2,602	1,202	3,804
	<u>\$ 82,277</u>	<u>\$ 49,421</u>	<u>\$ 131,698</u>

For the three-month period ended June 30, 2021

	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 64,679	\$ 46,812	\$ 111,491
Labor and health insurance expense	6,371	3,047	9,418
Pension costs	3,241	2,067	5,308
Other personnel expenses	2,784	1,752	4,536
	<u>\$ 77,075</u>	<u>\$ 53,678</u>	<u>\$ 130,753</u>

For the six-month period ended June 30, 2022

	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 137,698	\$ 85,289	\$ 222,987
Labor and health insurance expense	14,260	4,943	19,203
Pension costs	7,022	3,035	10,057
Other personnel expenses	5,203	2,513	7,716
	<u>\$ 164,183</u>	<u>\$ 95,780</u>	<u>\$ 259,963</u>

For the six-month period ended June 30, 2021

	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 124,827	\$ 97,767	\$ 222,594
Labor and health insurance expense	11,741	5,005	16,746
Pension costs	5,658	2,832	8,490
Other personnel expenses	4,725	2,508	7,233
	<u>\$ 146,951</u>	<u>\$ 108,112</u>	<u>\$ 255,063</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 six-month periods ended June 30, 2022 and 2021, the Company's employees' compensation were \$6,729, \$9,023, \$12,668 and \$20,428, respectively; while directors' remuneration were \$1,347, \$2,594, \$2,534 and \$5,445, 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' remuneration for 2021 as resolved by the Board of Directors were \$22,000 and \$5,000, respectively, and the employees' compensation was distributed in the form of cash. Employees' compensation and directors' remuneration for 2021 as resolved by the Board of Directors were equal to the amounts recognized in the 2021 financial statements. The employees' compensation and directors' remuneration for 2021 have not yet been distributed.

Information about the appropriation of employees' compensation and directors' 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.

(22) Income tax

A. Income tax expense:

Components of income tax expense:

	<u>For the three-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Current income tax:		
Income tax incurred in current period	\$ 25,396	\$ 39,704
Prior year income tax (over) underestimation	( 1,530)	3,316
Total current income tax	<u>23,866</u>	<u>43,020</u>
Deferred income tax:		
Origination and reversal of temporary differences	( 815)	( 7,988)
Income tax expense	<u>\$ 23,051</u>	<u>\$ 35,032</u>

	For the six-month periods ended June 30,	
	2022	2021
Current income tax:		
Income tax incurred in current period	\$ 44,510	\$ 48,798
Prior year income tax (over) underestimation	( 1,530)	5,803
Total current income tax	<u>42,980</u>	<u>54,601</u>
Deferred income tax:		
Origination and reversal of temporary differences	930	1,763
Income tax expense	<u>\$ 43,910</u>	<u>\$ 56,364</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 August 11, 2022.

(23) Earnings per share ("EPS")

	For the three-month period ended June 30, 2022		
	<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	\$ 90,664	80,743	\$ 1.12
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 90,664	80,743	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	173	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 90,664</u>	<u>80,916</u>	<u>\$ 1.12</u>



For the three-month period ended June 30, 2021			
	<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	\$ 83,256	80,743	\$ 1.03
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 83,256	80,743	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	174	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 83,256	80,917	\$ 1.03
For the six-month period ended June 30, 2022			
	<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	\$ 163,528	80,743	\$ 2.03
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 163,528	80,743	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	212	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 163,528	80,955	\$ 2.02

<u>For the six-month period ended June 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	\$ 149,735	80,743	\$ 1.85
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 149,735	80,743	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	218	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 149,735	80,961	\$ 1.85

The appropriation of 2021 earnings was approved at the Company's annual shareholder meeting on May 27, 2022, but the effective date of the capitalization was set on September 4, 2022. The pro forma retrospective adjustment of basic and diluted earnings per share is as follows: (Units: In New Taiwan dollars)

	<u>For the three-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Basic earnings per share</u>		
Profit attributable to ordinary shareholders	\$ 1.02	\$ 0.94
<u>Diluted earnings per share</u>		
Profit attributable to ordinary shareholders	\$ 1.02	\$ 0.94
	<u>For the six-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Basic earnings per share</u>		
Profit attributable to ordinary shareholders	\$ 1.84	\$ 1.69
<u>Diluted earnings per share</u>		
Profit attributable to ordinary shareholders	\$ 1.84	\$ 1.68

(24) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the six-month periods ended June 30,	
	2022	2021
Purchase of property, plant and equipment	\$ 26,307	\$ 72,728
Add: Opening balance of notes payable	35,637	11,803
Opening balance of payable for equipment	15,207	5,253
Less: Ending balance of notes payable	( 1,982)	( 17,026)
Ending balance of payable for equipment	( 2,948)	( 3,593)
Cash paid during the period	<u>\$ 72,221</u>	<u>\$ 69,165</u>

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

	For the six-month periods ended June 30,	
	2022	2021
(a) Write-offs of allowance for bad debts	<u>\$ -</u>	<u>\$ 794</u>
(b) Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 27,552</u>	<u>\$ 1,258</u>
(c) Cash dividends appropriation	\$ 121,114	\$ 121,114
Less: Ending balance of cash dividends payable (listed as 'other payables')	( 121,114)	-
Cash outflows for cash dividends appropriation	<u>\$ -</u>	<u>\$ 121,114</u>

(25) Changes in liabilities from financing activities

	Short-term borrowings	Lease liability	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2022	\$ 230,000	\$ 126,586	\$ 703,138	\$ 1,059,724
Changes in cash flow from financing activities	10,000	( 2,794)	( 39,905)	( 32,699)
Changes in cash flow from other non-financing activities	-	7,227	-	7,227
Impact of changes in foreign exchange rate	-	-	5,908	5,908
At June 30, 2022	<u>\$ 240,000</u>	<u>\$ 131,019</u>	<u>\$ 669,141</u>	<u>\$ 1,040,160</u>

	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	( 14,370)	( 2,596)	18,302	1,336
Impact of changes in foreign exchange rate	( 642)	-	( 1,848)	( 2,490)
At June 30, 2021	<u>\$ 364,000</u>	<u>\$ 129,204</u>	<u>\$ 629,096</u>	<u>\$ 1,122,300</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Significant transactions and balances with related parties

None.

### (2) Key management compensation

	For the three-month periods ended June 30,	
	2022	2021
Salaries and other short-term employee benefits	<u>\$ 7,153</u>	<u>\$ 11,011</u>
	For the six-month periods ended June 30,	
	2022	2021
Salaries and other short-term employee benefits	<u>\$ 14,311</u>	<u>\$ 19,106</u>

## 8. PLEDGED ASSETS

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

Asset pledged	Book value			Purpose of collateral
	June 30, 2022	December 31, 2021	June 30, 2021	
Land (Note)	\$ 369,309	\$ 365,709	\$ 366,027	Guarantee for long-term borrowings
Buildings and structures-net (Note)	538,889	538,453	546,199	Guarantee for long-term borrowings
	<u>\$ 908,198</u>	<u>\$ 904,162</u>	<u>\$ 912,226</u>	

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

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- As of June 30, 2022, December 31, 2021 and June 30, 2021, the endorsements and guarantees provided by the Company to the subsidiary, cpc Europa GmbH, amounted to \$—, \$— and \$49,725, respectively, and the actual amounts drawn down were all \$—.
- As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group's remaining balance due for construction in progress and prepayments for equipment were \$168,523, \$165,890 and \$304,320, respectively.
- 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 June 30, 2022, the Company has not violated any of the above covenants.

(4) For the details of operating lease agreements, 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:

	June 30, 2022		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 20,318	29.72	\$ 603,841
JPY:NTD	57,797	0.2182	12,611
EUR:NTD	4,870	31.05	151,227
<u>Financial liabilities</u>			
<u>Monetary items</u>			
EUR:NTD	929	31.05	28,845

December 31, 2021				
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 16,887	27.68	\$ 467,427	
JPY:NTD	86,150	0.2405	20,719	
EUR:NTD	4,721	31.32	147,855	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
JPY:NTD	4,840	0.2405	1,164	
EUR:NTD	753	31.32	23,905	

June 30, 2021				
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 12,992	27.86	\$ 361,948	
JPY:NTD	73,209	0.2521	18,456	
EUR:NTD	3,134	33.15	103,883	
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	60	27.86	1,678	
JPY:NTD	7,563	0.2521	1,907	
EUR:NTD	449	33.15	14,884	

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 six-month periods ended June 30, 2022 and 2021 would increase/decrease by \$5,911 and \$3,727, respectively.

- (vi) The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2022 and 2021 amounted to \$6,349, (\$11,383), \$28,799 and (\$15,805), 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 six-month periods ended June 30, 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in NTD and USD.

- (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 six-month periods ended June 30, 2022 and 2021 would have decreased/increased by \$483 and \$478, 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 June 30, 2022, December 31, 2021 and June 30, 2021, the Group's written-off financial assets that are still under recourse procedures amounted to \$3,895, \$3,895 and \$3,872, 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 six-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 15,941	\$ 26,070
Provision for impairment	( 52)	( 5,271)
Write-offs	-	( 794)
Effect of foreign exchange	286	( 589)
At June 30	<u>\$ 16,175</u>	<u>\$ 19,416</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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Floating rate:			
Expiring within one year	\$ 890,200	\$ 976,000	\$ 830,925
Expiring beyond one year	<u>2,760,000</u>	<u>2,760,000</u>	<u>2,900,000</u>
	<u>\$ 3,650,200</u>	<u>\$ 3,736,000</u>	<u>\$ 3,730,925</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>June 30, 2022</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	\$ 240,398	\$ -	\$ -	\$ -
Notes payable	135,746	-	-	-
Accounts payable	78,709	-	-	-
Other payables	309,644	-	-	-
Lease liability	7,970	7,970	23,909	115,562
Long-term borrowings (including current portion)	96,415	170,464	360,822	72,687
<u>December 31, 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	\$ 230,181	\$ -	\$ -	\$ -
Notes payable	161,421	-	-	-
Accounts payable	49,456	-	-	-
Other payables	169,011	-	-	-
Lease liability	7,539	7,539	22,618	113,090
Long-term borrowings (including current portion)	88,142	150,145	429,539	70,022
<u>June 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	\$ 364,972	\$ -	\$ -	\$ -
Notes payable	124,253	-	-	-
Accounts payable	62,543	-	-	-
Other payables	169,129	-	-	-
Lease liability	7,539	7,539	22,618	116,861
Long-term borrowings (including current portion)	84,607	114,843	321,667	141,567

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 June 30, 2022, December 31, 2021 and June 30, 2021, 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, notes payable, accounts payable, other payables 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 preventive 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 pandemic, 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.

C. Chieftek Machinery (Kunshan) Co., Ltd., a subsidiary of the Group, has temporarily suspended work since April 6, 2022 to ensure the safety and health of its employees due to the local government's epidemic prevention measures relative to the COVID-19, and the subsidiary resumed production on May 5, 2022 as approved by the local government.

13. SUPPLEMENTARY DISCLOSURES

(According to the regulatory requirement, only information for the six-month period ended June 30, 2022 is disclosed.)

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

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: Refer to table 1.

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: Refer to table 2.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 3.

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Refer to table 6.

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

(4) Major shareholders information

Major shareholders information: 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 six-month period ended June 30, 2022					
	<u>CHIEFTEK PRECISION</u>	<u>Chieftek (Kunshan)</u>	<u>cpc Europa</u>	<u>cpc USA</u>	<u>Others</u>	<u>Total</u>
Segment revenue	\$ 698,510	\$121,935	\$ 231,104	\$ 121,755	\$ 5,133	\$ 1,178,437
Inter-segment revenue	328,016	-	212	-	5,133	333,361
External revenue	370,494	121,935	230,892	121,755	-	845,076
Interest income	151	981	-	42	19	1,193
Depreciation and amortization	39,984	84	756	852	1,543	43,219
Capital expenditures	33,475	69	115	439	-	34,098
Interest expense	6,049	-	-	-	1,178	7,227
Segment pre-tax income	195,941	10,654	17,926	22,962	906	248,389
Segment assets	3,211,943	312,765	160,888	104,184	195,074	3,984,854
Segment liabilities	1,511,975	11,618	27,422	3,336	85,539	1,639,890
	For the six-month period ended June 30, 2021					
	<u>CHIEFTEK PRECISION</u>	<u>Chieftek (Kunshan)</u>	<u>cpc Europa</u>	<u>cpc USA</u>	<u>Others</u>	<u>Total</u>
Segment revenue	\$ 671,106	\$224,964	\$ 192,802	\$ 95,120	\$ 5,026	\$ 1,189,018
Inter-segment revenue	275,569	-	-	-	5,026	280,595
External revenue	395,537	224,964	192,802	95,120	-	908,423
Interest income	67	441	-	54	33	595
Depreciation and amortization	42,025	159	1,155	221	1,511	45,071
Capital expenditures	83,613	36	333	302	-	84,284
Interest expense	5,917	-	41	-	1,193	7,151
Segment pre-tax income	176,972	45,499	24,783	20,944	844	269,042
Segment assets	2,942,618	296,446	121,714	112,193	184,115	3,657,086
Segment liabilities	1,411,733	11,314	20,104	1,551	82,474	1,527,176

(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 six-month periods ended June 30,	
	2022	2021
Reportable segments pre-tax income	\$ 247,483	\$ 268,198
Other segments pre-tax gain	906	844
Inter segments gain	(40,951)	(62,943)
Profit before income tax	<u>\$ 207,438</u>	<u>\$ 206,099</u>

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

For the six-month period ended June 30, 2022

Table 1

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	\$ 416,998	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 six-month period ended June 30, 2022

Table 2

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)	(\$ 161,100)	(23%)	(Note 1)	\$ -	(Note 2)	\$ 81,925	22%	—	
	Chieftek Machinery (Kunshan) Co., Ltd.	Subsidiary	(Sales)	( 101,211)	(14%)	(Note 1)	-	(Note 2)	105,029	28%	—	
cpc Europa GmbH	CHIEFTEK PRECISION CO., LTD.	Parent company	Purchases	161,100	83%	(Note 1)	-	(Note 3)	( 81,925)	(100%)	—	
Chieftek Machinery (Kunshan) Co., Ltd.	CHIEFTEK PRECISION CO., LTD.	Parent company	Purchases	101,211	100%	(Note 1)	-	(Note 3)	( 105,029)	(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

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more.

June 30, 2022

Table 3

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as of June 30, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
CHIEFTEK PRECISION CO., LTD.	Chieftek Machinery (Kunshan) Co., Ltd.	Subsidiary	\$ 105,029	2.70	\$ -	—	\$ 30,797	\$ -

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES  
Significant inter-company transactions during the reporting period  
For the six-month period ended June 30, 2022

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	(\$ 161,100)	180 days after monthly-closing, T/T	(19%)
				Accounts receivable	81,925	—	2%
		CHIEFTEK PRECISION USA CO., LTD.	1	Sales revenue	( 65,215)	180 days after monthly-closing, T/T	(8%)
				Accounts receivable	30,676	—	1%
1	CHIEFTEK PRECISION USA CO., LTD.	Chieftek Machinery (Kunshan) Co., Ltd.	1	Sales revenue	( 101,211)	180 days after monthly-closing, T/T	(12%)
				Accounts receivable	105,029	—	3%
		CHIEFTEK PRECISION INTERNATINAL LLC	3	Rent payment	5,133	—	1%
				Refundable deposits	1,486	—	—

(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 1:29.72) as of June 30, 2022.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

For the six-month period ended June 30, 2022

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of June 30, 2022			Net profit (loss) of the investee for the six-month period ended June 30, 2022	Investment income (loss) recognized by the Company for the six-month period ended June 30, 2022	Footnote
				Balance as of June 30, 2022	Balance as of December 31, 2021	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	\$ 195,000	\$ 6,740	\$ 6,740	Subsidiary
	CHIEFTEK PRECISION INTERNATIONAL LLC	United States of America	Lease of real estate property	110,054	110,054	-	100	108,013	811	811	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	71,645	20,107	20,107	Subsidiary
	cpc Europa GmbH	Germany	Sale of high precision linear motion components and rendering after-sale services	98,695	98,695	-	100	51,554	13,291	13,291	Subsidiary
CHIEFTEK PRECISION HOLDING CO., LTD.	Chieftek Precision (Hong Kong) Co., Limited	Hong Kong	Professional investment	28	26	927	100	28	-	-	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 1:29.72) as of June 30, 2022.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Basic information

For the six-month period ended June 30, 2022

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, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2022	Net income of investee for the six-month period ended June 30, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the six-month period ended June 30, 2022 (Note 2)	Book value of investments in Mainland China as of June 30, 2022	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2022	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	\$ 151,572	Note 1	\$ 151,572	\$ -	\$ -	\$ 151,572	\$ 6,740	100%	\$ 6,740	\$ 203,881	\$ 221,687	—

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2022	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.	\$ 151,572	\$ 151,572	\$ 1,406,978

(Note 1) Through investing in an existing company in the third area (CHIEFTEK PRECISION HOLDING 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 six-month period ended June 30, 2022.

(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 1:29.72) as of June 30, 2022.

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 six-month period ended June 30, 2022

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 June 30, 2022	%	Balance at June 30, 2022	Purpose	Maximum balance during the six-month period ended June 30, 2022	Balance at June 30, 2022	Interest rate	Interest during the six-month period ended June 30, 2022	Others
Chieftek Machinery (Kunshan) Co., Ltd	\$ 101,211	12%	\$ -	-	\$ 105,029	3%	\$ -	-	\$ -	\$ -	-	\$ -	\$ -

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Major shareholders information

June 30, 2022

Table 8

Expressed in shares

Name of the major shareholder	Number of shares		Ownership (%)
	Common stock		
Hsu, Ming-Che	5,579,338		6.87%
Xinzhide Investment Co.,Ltd.	4,401,000		5.42%

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.