

2023 Annual Report

Stock Code: 1597



cpc CHIEFTEK PRECISION CO., LTD.

Taiwan Stock Exchange Market Observation Post System:
<http://mops.twse.com.tw/mops/web/index>
cpc Annual Report is available at: <http://www.chieftek.com>
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1. NAME, POSITION, CONTACT NUMBER and E-MAIL ADDRESS of SPOKESPERSON AND DEPUTY SPOKESPERSON IN OUR COMPANY :

Spokesperson

Name: LI PAI-TSANG

Position: Financial officer

Tel: (06)505-5858

E-mail: act07@mail2.chieftek.com

Deputy Spokesperson

Name: HSU CHENG-PU

Position: Special assistant for chairman

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2. ADDRESS AND CONTACT NUMBER OF HEADQUARTERS, BRANCH AND FACTORY :

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Tel: (06)505-5858

Tainan Science Park Factory

Add: No. 3, Dali 1st Rd., Xinshi Dist., Southern Taiwan Science Park, Tainan City, 741-45, Taiwan (R.O.C.)

Tel: (06)505-5858

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Add: No.2, Huoshui Rd., Xinshi Dist., Tainan City 74148, Taiwan (R.O.C.)

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3. NAME, ADDRESS, WEBSITE AND CONTACT NUMBER OF SHARE TRANSFER AGENCY :

Name: Service agency of Fubon Securities Co., Ltd

Add: 11 F, No. 17, Xuchang St., Zhongzheng Dist., Taipei City 100

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Tel: (02)2361-1300

4. CPA'S NAME, NAME, ADDRESS, WEBSITE AND CONTACT NUMBER OF ACCOUNTING FIRM IN 2023 FINANCIAL REPORT :

Accountant's name: Accountant LIN YUNG-CHIH, accountant YEH FANG-TING

Firm name: PricewaterhouseCoopers (PwC) Taiwan

Add: 12 F, No. 395, Sec. 1, Linsen Rd., East Dist., Tainan City

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5. TRADING PLACES OF OVERSEAS NEGOTIABLE SECURITIES FLOTATION AND MODE OF INQUIRY INFORMATION ON OVERSEAS NEGOTIABLE SECURITIES: NONE.

6. COMPANY WEBSITE: <http://www.chieftek.com>

CHIEFTEK PRECISION CO., LTD.
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I. Letter to Shareholders

Distinguished shareholders, ladies and gentlemen:

I would like to express sincere thanks to all shareholders for your continual encouragement and support to CHIEFTEK PRECISION CO., LTD. (**cpc** hereinafter). In 2023, the manufacturing industry is sitting on the fence regarding equipment investment due to economic slump and geopolitical risks. As a result, our company's consolidated revenue in 2023 was NT\$1,074,754 thousand, with a decrease of NT\$561,025 thousand and 34.30% compared to the consolidated revenue of NT\$1,635,779 thousand in 2022. Additionally, the net income after tax in 2023 was NT\$98,042 thousand, with a decrease of NT\$248,745 thousand and 71.73% compared to the net income after tax of NT\$346,787 thousand in 2021.

I hereby report the operating results for the 2023 fiscal year and a summary of the business plan for the 2024 fiscal year.

1. Operating results for the previous fiscal year (2023)

(I) Implementation of the business plan for the previous fiscal year

Comparison table of consolidated comprehensive profit/loss of the company and the product sale by type within the last 2 fiscal years and its description is as follows:

1. Comparison table of consolidated comprehensive profit/loss within the last 2 fiscal years.

Unit: NT\$ in thousand

Items	2023	2022	Increase (decrease)
Net operating income	1,074,754	1,635,779	(561,025)
Operating cost	(606,107)	(925,855)	(319,748)
Operating gross profit	468,647	709,924	(241,277)
Operating expense	(351,065)	(333,970)	17,095
Operating profit	117,582	375,954	(258,372)
Net non-operating income (expense)	25,398	63,414	(38,016)
Net profit before tax	142,980	439,368	(296,388)
Net profit after tax	98,042	346,787	(248,745)
Other Comprehensive income/loss	(3,180)	27,168	(30,348)
Comprehensive income/loss for the year	94,862	373,955	(279,093)

2. Product sale by type in the last 2 fiscal years: Please refer to Operation Proportion under V. Operating Overview.

Unit: NT\$ in thousand

Product type	2023		2022		Increase (decrease)	
	Amount	%	Amount	%	Amount	%
Miniature type	612,175	56.96%	988,078	60.40%	(375,903)	(38.04%)
Large type	394,940	36.75%	569,832	34.84%	(174,892)	(30.69%)
Linear motor	66,615	6.20%	77,334	4.73%	(10,719)	(13.86%)
Other	1,024	0.09%	535	0.03%	489	91.40%
Total	1,074,754	100.00%	1,635,779	100.00%	(561,025)	(34.30%)

(1) Revenue

- A. The revenue of miniature linear guides is NT\$612,175 thousand, down 38.04%; the revenue of large linear guides is NT\$394,940 thousand, down 30.69%; the revenue of linear motors is NT\$66,615 thousand, down 13.68%.
- B. Compared in terms of geographical area differences, the mainland China area decreased by 52.62%, the European area decreased by 21.89%, the US area decreased by 12.70%, Taiwan's domestic sales decreased by 39.19%, and other areas decreased by 44.00%.

(2) Gross profit from the operation

In 2023, the consolidated revenue decreased by 34.30% due to the impact of the COVID-19 pandemic and the economic downturn. However, there were exchange rate factors such as the depreciation of the New Taiwan Dollar against the US dollar by 4.46% and that of the New Taiwan Dollar against the Euro by 7.56%, **combined** with effective cost control measures, resulting in a gross profit margin of 43.40% for the 2023 fiscal year, an increase of 0.21% compared to the gross profit margin of 43.40% in the 2022 fiscal year.

(3) Earnings

- A. The earnings after tax for the 2023 fiscal year was NT\$98,042 thousand, compared with NT\$346,787 thousand for the 2022 fiscal year, which is a decrease of NT\$248,745 thousand and 71.73%.
- B. The 2023 earnings per share after tax was NT\$1.12 dollars, decreased by NT\$2.79 dollars compared with NT\$3.91 of 2022.

(II) Implementation of Budget

The financial prediction of 2023 was not publicized; it was not likely to estimate the achievement of goals.

(III) Analysis of receipts/expenditures, and profitability

Items		2023	2022	
Financial structure (%)	Ratio of liabilities to assets	40.74	40.23	
	Ratio of long-term funds to real property, factory and equipment	170.04	173.06	
Debt paying ability (%)	Current ratio	278.25	232.30	
	Quick ratio	170.18	149.22	
	Interest coverage ratio	6.57	31.87	
Profit structure (%)	Return on assets (ROA)	2.67	9.00	
	Return on equity (ROE)	4.11	14.73	
	Ratio on paid-in capital	Operating profits	13.17	42.12
		Profits before tax	16.02	49.22
	Net profit ratio	9.12	21.20	
	Basic EPS (\$)	1.12	3.91	

(IV) Overview on the current research and development

cpc has been deeply involved in the high-precision automation industry for many years, starting from micro linear guides, standard linear guides, linear motors, DD motors, linear modules, subsystems and drives, to now include robotic arms, software PLCs, and more. The entire product technology and service range have become quite extensive. Therefore, **cpc** has

divided the entire product line into cpcCells, cpcRobot, and cpcStudio. cpcCells represents industrial key component products, including linear guides, motor products, encoders, linear platforms, and more. cpcRobot includes a series of related products for robotic arms, including arms, vacuum grippers, and automatic tool changers. Unlike electromechanical products, purely software-based technical services fall under the purview of cpcStudio. Software PLCs, motion libraries, EtherCAT masters, and other tool modules are all software modules that can be embedded in this IDE platform.



It is evident from this distinction that **cpc** has developed its R&D items from simple electromechanical components to electromechanical integration, and further expanded to pure software technology services. In order to consolidate such development strength, the talent demand layout of the entire R&D department has gradually strengthened the proportion of electrical engineering and information fields. Not only that, but marketing and business strategies have also evolved continuously with the breadth of products, in order to achieve more efficient benefits. The goal of current research and development is to use the flexibility of **cpc** products to optimize customers' needs in design, and the purpose has expanded from product supply to technical services, all to ensure that **cpc** maintains an absolute advantage in technology leadership in the market.

This year's R&D focus is mainly on the development of functions for cpcRobot and cpcStudio. In order to support different workstations, Direct Drive Technology has also developed its own automatic tool changer system, ATC. The biggest feature of the ATC automatic tool changer system is that it does not require an additional power source and uses a purely mechanical operating principle for coupling and uncoupling. This greatly reduces the complexity of traditional automatic tool changers' wiring and the risk of sudden failure. In addition, the high strength of the coupling force and the repeatable precision both meet market expectations for machine arm automatic tool changer systems.

Furthermore, grippers are like human fingers for robotic arms, allowing them to grasp objects. Different types of grippers can be used for different types of objects. For example, finger-type grippers are suitable for three-dimensional objects, and suction cups are suitable for flat objects. To make the cpcRobot product line more comprehensive, the VA vacuum gripper uses a built-in vacuum pump to generate negative pressure and is equipped with various suction cups to grip objects. It also integrates a complete vacuum system with electromagnetic valve control and pressure sensors within a 45mm outer diameter space. The advantage of having a built-in pump is that users can avoid having too many pipelines around the entire robotic arm, allowing the arm to maintain the best path selection and increase work efficiency.

As an IDE interface, it is necessary for cpcStudio to support various industrial communication protocols, such as OPC-UA and Modbus. Through these communication protocols, it is possible to quickly establish a way to exchange data with other third-party software or devices, allowing data in the entire system to flow smoothly and carry out tasks related to Industry 4.0 big data. With these basic capabilities, **cpc** has also begun to build its own smart factory. From machine design, mechanical assembly, electrical engineering, program development, interface development, to data management, all aspects can be carried out using their own products and self-developed technology to meet the needs of machine processing functions and IoT establishment within the factory, thereby achieving

the realization of the **cpc** smart factory.

As miniature robotic arms tend to work their magic more than normal-sized ones in pharmaceutical, surgical, and biotechnical fields, we have also begun researching robotic arms targeting the biomedical field. With these dust-free and disinfection/sterilization resistant robotic arms, we hope to expand the new application.

In addition, robot vision is a new area that we are actively developing, allowing robotic arms to detect target positions at any time and move to exact operating locations during the working process. Collocated with AI algorithms, robot vision has become precise and instantaneous and significantly improved functional and economic efficiency.

The Company invested NT\$72,493 thousand in R&D for the 2023 fiscal year, a decrease of NT\$1,436 thousand compared with the NT\$73,929 thousand for the 2022 fiscal year. Nonetheless, the R&D expenses to net revenue increased to 6.75% in 2023, compared to the 4.52% in 2022. It fully demonstrates how we value research and development.

2. Summary of the business plan for the current fiscal year (2024)

(I) Management principles (corporate social responsibility policy)

1. Implement information transparency, practice honest operation

- (1) Implement information transparency, practice corporate governance
- (2) Stick to honesty, integrity and sustainable operation, achieve **cpc** leading brand of the world.
- (3) Cultivate a filial team with compassion, international view, professional skills and high sense of honor.

2. Strengthen the awareness of environmental safety, implement environmental protection.

- (1) Provide a working environment with high quality and available for maintaining physical and psychological health, and reach the goal of no disaster, no accident.
- (2) Protect the environment, maintain the natural ecology, and realize the energy conservation and waste reduction.
- (3) In accordance with the laws, implement the risk management, prevent the pollution, and carry out 6S activities.
- (4) The environmental protection safety is an uninterrupted activity of the entire personnel.

3. Education in morality-rooted, create a peaceful society.

- (1) Plant widely with Chinese cultural root and establish a righteous corporation.
- (2) Cultivate a team with normally and skills, become a model of corporation operation.
- (3) Fulfill corporate social responsibility, co-create a sunny and peaceful society.

(II) Expected sales volume and its basis

With the gradual improvement of terminal demands from major economies in the world, the economic growth will stabilize. The manufacturing industry will take a favorable turn with the gradual digestion in supply chain stock. In addition to expand and enhance the sizes and specifications of our current products such as cpcCells, cpcRobot, and cpcStudio, we have launched a brand new series of cpcRobot miniature six-axis robotic arms and cpcStudio software PLC/IDE platform in response to diversified market demands and in hope of promoting the Company's merits and positions in the market. We will set sales targets and strive to achieve them based on industry market conditions and past experience.

The company will set sales targets and strive to achieve them based on industry market conditions and past experience.

(III) Important production and marketing policies

1. Marketing policy

- (1) Marketing with private brand **cpc** in the world, so as to improve brand awareness and value.
- (2) Continuously enhance operating function of each area based on economic development, so as to increase overall operating income.
- (3) Actively expand market, increase market share.
- (4) Meet customers' total solution technology needs and enhance the company's value and position in the market.

2. Manufacturing policy

- (1) Quality is the result of design, manufacture and management.
- (2) Receive, manufacture and distribute no non-performing product.
- (3) Quality improvement is an uninterrupted activity of the entire personnel.
- (4) Become a technology services manufacturer of hardware, electromechanical integration, and software.

III. Company's future development strategy

Presently, **cpc** continues to engage in components. On top of strengthening the existing linear guide products, we have commenced developing screw products with high precision. Through a new manufacturing process that is combined with capacity and quality, we create space for gross profit and expand the territory of linear products.

Besides, robot vision and AMR are the highlights in the robotic product line. AI technology and algorithms will be applied to both developments in order to create AI robot products.

After possessing the basic capabilities of cpcCells, cpcRobot, and cpcStudio, **cpc** has started to build its own smart factory. It can apply its own products and self-developed technologies to meet the requirements of machine design, mechanical assembly, power distribution engineering, program coding, interface development, and data management. The ultimate goal is to become a high-flexibility system integrator and developer, and to achieve the realization of the **cpc** smart factory.

IV. Effect of external competition, the legal environment, and the overall business environment

The recent economy worldwide has benefited from the stabilizing global terminal demand, the increasing business opportunities of AI technology application, and the continuing export growth in Taiwan. In terms of domestic demand, the recovering internal economy advances consumer confidence and encourages domestic consumption. However, the imports of capital equipment still display a negative growth and the investment intentions from manufacturers remain low. Although factors such as geopolitical turbulence and high interest rate continue to affect domestic and foreign market demands, the economic low point is coming into view and the supply inventory is progressively recovering to a normal level. There is a hope that Taiwan's external commerce stabilizes and exports on machine tools turns into a positive growth.

The adjusting timing of monetary-tightening policy by the Fed and ECB, the follow-up development of monetary policy by Japan, the spillover effect of the lagging economic growth in China, and the development of global economic fragmentation and supply chain restructure add financial uncertainty to the global economic outlook. What's more, geopolitics and climate changes will also impact the global inflation process.

Due to the ever-changing business environment, **cpc** continues to keep tabs on the economic environment and react accordingly to market fluctuation, hoping to avoid losses and to constantly implement research capabilities. With the long-term integration of technology and industry, we are expecting to fulfill corporate sustainability and growth.

The Company will still stick "Honest Operation Principle", and continuously increase the scope of the group, maximize the benefits for shareholders and customers, create the best career welfare for all colleagues, return the public with virtuous and skilled achievements, bring along social goodness, make everyone safe and happy and satisfied with their work and life. It is worth it definitely.

I hereby wish all the shareholders

Good health and happiness!

Chairman: CHEN LI-FEN

II. Company Profile

I. Date of establishment: October 19, 1998

II. Company History

(I) Company History

Fiscal Year	Major history of the company
1998	Setup license issued by Ministry of Economic Affairs (MOEA) with paid-in capital of NT\$5,000 thousand.
1999	Put forward “R&D plan of Miniature Linear Guide” and got project grants from Industrial Technology Research Institute. Applied for “Linear motion bearings” patent to Taiwan, America, Germany and Japan. Moved into incubation center of National Cheng Kung University and carry out Industry-University collaboration with National Cheng Kung University. Apply for increased capital by cash in October, paid-in capital was increased to NT\$25,000 thousand.
2000	Moved to Rede factory and began pilot mass production. Beginning of MR9M Miniature Linear Guide mass production. Applied for increased capital by cash in April, paid-in capital was increased to NT\$41,200 thousand. Apply for increased capital by cash in September, paid-in capital was increased to NT\$99,000 thousand.
2001	Made negotiations with agents and distributors on development of domestic clients and overseas clients in USA, Germany, the UK, Italy, Benelus, Switzerland, Israel, Singapore, Malaysia and other countries. Entered Korean market and signed the contract with Korean agent. Establishment of factory in southern science industrial park was approved by National Science Council (NSC). “Linear motion bearings” was approved by American patent. Apply for increased capital by cash in July, paid-in capital was increased to NT\$150,000 thousand.
2002	Entered Singaporean market and signed the contract with Singaporean agent. Applied for increased capital by cash in July, paid-in capital was increased to NT\$ 210,000 thousand (Tech stock was NT\$ 60,000 thousand).
2003	Started building Phase I project of the factory in Southern Taiwan Science Park. Apply for increased capital by cash in August, paid-in capital was increased to NT\$ 270,000 thousand. Apply for increased capital by cash in October, paid-in capital was increased to NT\$ 290,000 thousand. Exhibited all series of Miniature Linear Guide in Shanghai in December.
2004	Beginning of Size3 Miniature Linear Guide mass production. Apply for increased capital by cash in January, paid-in capital was increased to NT\$ 340,000 thousand. Apply for increased capital by cash in March, paid-in capital was increased to NT\$ 360,000 thousand.

Fiscal Year	Major history of the company
2005	<p>Factory in Southern Taiwan Science Park was completed and began official mass production.</p> <p>Official mass production of standard Linear Guide.</p>
2007	<p>Mass production of AR/HR Roller type Linear Guide.</p> <p>Passed the ISO9001 quality certification.</p> <p>Carried out university-industry collaboration with mechanical engineering department of National Chung Cheng University.</p> <p>Applied for “R&D subsidy to early design and development of linear motor” and approved by Southern Taiwan Science Park Authority.</p> <p>Approved by the Ministry of National Defense and applied for personnel who serviced national defense, to cultivate R&D talents coordinating national policy.</p> <p>Beginning of Ultra-fast miniature linear guide mass production.</p> <p>Beginning of Self-lubricating miniature linear guide mass production.</p>
2008	<p>Set up cpc subsidiaries in the United States with paid-in capital of US\$300 thousand.</p> <p>Set up cpc subsidiaries in Kunshan city with paid-in capital of US\$300 thousand.</p>
2009	<p>Beginning of Ironless Series linear motor producing.</p> <p>Apply for increased capital by cash in December, paid-in capital was increased to NT\$ 360,560 thousand.</p>
2010	<p>Set up cpc subsidiaries in Germany with paid-in capital of EU\$ 69 thousand.</p> <p>cpcKunshan applied for increased capital by cash, paid-in capital was increased to US\$1,000 thousand.</p> <p>Increased capital by surplus was NT\$18,028 thousand, paid-in capital was increased to NT\$378,588 thousand.</p>
2011	<p>Public issuance was approved on Jan. 17 and stocks were registered on the Emerging Stock Market on Mar. 10.</p> <p>Increased capital by surplus was NT\$30,287 thousand, paid-in capital was increased to NT\$408,875 thousand.</p> <p>cpc Kunshan subsidiaries applied for increased capital by cash, paid-in capital was increased to US\$ 3,000 thousand.</p> <p>Apply for increased capital by cash in December, paid-in capital was increased to NT\$433,875 thousand.</p>
2012	<p>Purchased land of Tree Valley Park as future preparation for extension construction of plants.</p> <p>Employee stock warrant issued new shares of NT\$6,204 thousand, paid-in capital was increased to NT\$440,079 thousand.</p> <p>Increased capital by surplus was NT\$44,008 thousand, paid-in capital was increased to NT\$484,087 thousand.</p> <p>Finished development plan of leading new product in “High Thrust Density Ironless-core Linear Motor” approved by Ministry of Economic Affairs (MOEA).</p> <p>cpc USA applied for increased capital by cash, paid-in capital was increased to US\$ 1,000 thousand.</p>

Fiscal Year	Major history of the company
2012	<p>Increased capital by cash was NT\$46,330 thousand, paid-in capital was increased to NT\$530,417 thousand.</p> <p>Buying and selling in foundation GreTai Securities Market (GTSM) since Dec. 28.</p>
2013	<p>Employee stock warrant issued new shares of NT\$2,556 thousand, paid-in capital was increased to NT\$532,973 thousand.</p> <p>cpc USA applied for increased capital by cash, paid-in capital was increased to USD\$1,660 thousand.</p> <p>cpc Germany applied for increased capital by cash, paid-in capital was increased to EUR\$2,500 thousand.</p> <p>Increased capital by surplus was NT\$26,649 thousand, paid-in capital was increased to NT\$559,622 thousand.</p> <p>Official mass production of wide Roller-type Linear Guide.</p>
2014	<p>Employee stock warrant issued new shares of NT\$2,464 thousand, paid-in capital was increased to NT\$562,086 thousand.</p> <p>cpc Kunshan applied for increased capital by cash, paid-in capital was increased to US\$5,100 thousand.</p> <p>Increased capital by surplus was NT\$28,104 thousand, paid-in capital was increased to NT\$590,190 thousand.</p> <p>Employee stock warrant issued new shares of NT\$2,148 thousand, paid-in capital was increased to NT\$592,338 thousand.</p> <p>ISO14001 Environment Management System, OHSAS 18001 TOSHMS and CNS 15506 TOSHMS in Taiwan certificated.</p> <p>Passed tobacco hazard control label of healthy occupational certificate after assessed by National Health Service(NHS) of Ministry of Health and Welfare(MHW).</p> <p>Implemented treasury stock approach for the first time and expected to transfer to employees to encourage them and retain excellent talents.</p> <p>Comprehensive mass production of LM-CORE series Ironcore Linear Motor.</p> <p>Official mass production of CLS-Compact Linear Motor Stage. Released ARR/HRR/LRR Standard 4-Row Roller-type Linear Guide.</p>
2015	<p>New products such as Roller-type Linear Guide, Ironcore Linear Motor, CLS-Linear Motor stage, Linear Motor servo drives were released for the first time in Taipei International Machine Tool Show (TIMTOS) of 2015.</p> <p>Official mass production of TC1 AC-Linear Motor server and driver. Official mass production of CLMS-Ironcore Linear Motor Stage.</p>
2016	<p>Official mass production of MMLS-Linear Motor Stage.</p> <p>Established CSM Maschinen GmbH with paid-in capital of EU\$25 thousand, cpc holding 80% shares.</p> <p>Capital increase from earnings NT\$28,117 thousand, amount of paid-in capital increased to NT\$620,455 thousand.</p>
2017	<p>Held the product presentation on “An Introduction and Application of Direct Drive Linear Motors”, “An Introduction and Application of Drive Systems” and “An Introduction and Application of Linear Guides” in “Taipei International Machine Tools Show in 2017”.</p> <p>Obtained the building permit for the construction of the first phase of factory building in Tree Valley Park.</p>

Fiscal Year	Major history of the company
2017	<p>Entered the top 20% of companies of the third round of corporate governance evaluation and were awarded the “Improvement Award”.</p> <p>Established Chieftek Precision International LLC with a paid-up capital of US\$500,000 and held 100% shares.</p> <p>Passed the ISO 9001:2015 version, Quality management systems, ISO14001:2015 version, Environmental management systems, OHSAS 18001: 2007 version, Occupational Health and Safety Assessment Series and Taiwan Occupational Safety and Health Management System of CNS15506 revised version certification, in August 2017.</p> <p>Passed Healthy Workplace Certification - Health Boot Badge by Health Promotion Administration of Ministry of Health and Welfare (MHW).</p>
2018	<p>Applied for retirement of Treasury Shares NT\$30,000 thousand, and the paid-up capital was decreased to NT\$590,455 thousand.</p> <p>The company was awarded “Top 5000 Largest Corporations in Taiwan 2018” by the China Credit Information Service Ltd.</p> <ol style="list-style-type: none"> 1. Was ranked 1137 by Net Operating Revenue among Manufacturing Corporations. 2. Was ranked 11 by Net Operating Revenue among Southern Taiwan Science Park. 3. Was Ranked 328 by Operating Performance among Manufacturing Corporations. 4. Was ranked 16 among General Machinery and equipment industry. <p>Applied for capitalization of earnings NT\$147,614 thousand, and the paid-up capital was increased to NT\$ 738,069 thousand.</p> <p>Increased shareholding in CSM Maschinen GmbH was 100%.</p>
2019	<p>Size2 miniature linear guides began mass production.</p> <p>The company was awarded “Top 2000 Largest Corporations in Taiwan 2019” by the China Credit Information Service Ltd.</p> <ol style="list-style-type: none"> 1. Was ranked 951 by Net Operating Revenue among Manufacturing Corporations. 2. Was ranked 15 among Top 50 Operating Performance Corporations. 3. Was Ranked 11 among Precision Instruments Manufacturing. 4. Was ranked 50 among Most Profitable Manufacturing Company. <p>Capital increase by retained earnings was NT\$73,807 thousand, paid-in capital increased to NT\$811,876thousand.</p> <p>To adjust the group’s investment structure, Chieftek Precision USA Co., Ltd., which was reinvested and 100% shares held by the company through Chieftek Precision Holding Co., Ltd., was altered to be invested directly by the company</p>
2020	<p>The construction commencement ceremony of the Tree Valley Park’s Phase II Plant was held in March.</p> <p>To benefit business developments, merged CSM Maschinen GmbH and cpc Europa GmbH.</p> <p>Passed the Occupational Health and Safety Management System ISO 45001:2018 and the verification of CSN 45001:2018 Taiwan Health and Safety Management System.</p> <p>Changed buying and selling in from the Foundation GreTai Securities Market (GTSM) to TWSE since Dec. 23.</p>

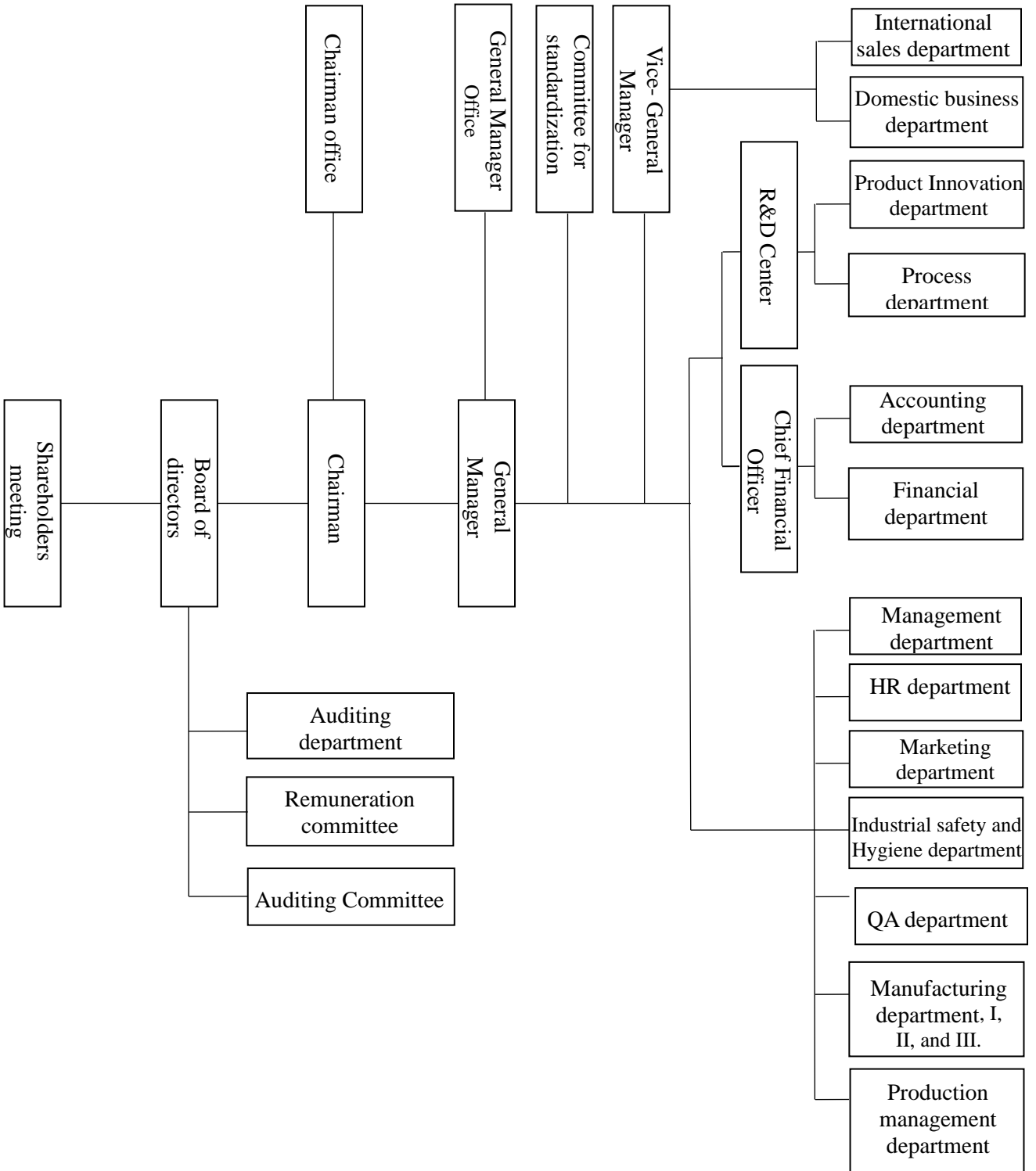
Fiscal Year	Major history of the company
2021	On August 31, the subsidiary cpc Hong Kong reduced the capital and returned 100% equity of cpcKunshan to CHIEFTEK PRECISION HOLDING CO., LTD., and adjusted the organizational structure. Launched a new series of cpcRobot miniature six-axis robotic arms and cpcStudio software PLC/IDE platform. cpcRobot was awarded the Gold Medal at the 2021 LEAP Awards in the United States.
2022	The earnings were converted into a capital increase of NT\$80,743 thousand, increasing the paid-in capital to NT\$892,619 thousand. The company has completed the transfer of 445thousandtreasury stocks to employees as part of its employee incentive program to boost morale and retain talented personnel. The company plans to implement a third round of treasury stocks, consisting of 2,000 thousand shares, to be transferred to employees as part of the same program.
2023	cpc Hong Kong was deregistered by the Hong Kong Companies Registry on February 3, 2023.

- (II) Status for merger and acquisition activities, strategic investments in affiliated enterprises, and corporate reorganization during the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report:
1. As of the printing date of the 2023 annual report, there are no plans to acquire other companies. If there are any future plans for acquisition, the company will carefully evaluate and consider the synergies of the merger to ensure the interests of the company and the rights of existing shareholders.
 2. Strategic reinvestments in affiliated enterprises in the 2023 fiscal year up to the date of publication of the annual report:
On August 31, the subsidiary CPC Hong Kong reduced the capital and returned 100% equity of cpc Kunshan to CHIEFTEK PRECISION HOLDING CO., LTD., and adjusted the organizational structure. cpc Hong Kong has been deregistered by the Hong Kong Companies Registry on February 3, 2023. This has no impact on the shareholders' equity.
 3. The situation of reorganization in the year of 2023 and as of the date of publication of the annual report: None.
- (III) Mass transfer or changes of shares for directors, supervisors, or shareholders with more than 10% shares in the Company; any change in managerial control; any material change in operating methods or type of business; and any other matters of material significance that could affect shareholders' equity. If there is information related to earlier fiscal years that can help provide a significantly clearer understanding of the company's situation, such information may also be included in the annual report.
1. Status of mass transfer or changes of shares for directors, supervisors and shareholders with more than 10% shares:
 - (1) There are no shareholders with more than 10% shares in the company up to the date of publication of the annual report.
 - (2) The directors and supervisors of the company are all long-term supporters of the company's operation and there is no significant transfer of equity which has a significant impact on the company's finances or business, in the recent fiscal year up to the date of publication of the annual report.
 2. Status of changes of managerial control, any material change in operating methods or type of business: None.
 3. Status of other matters of material significance that could affect shareholders' equity: None.

III. Corporate Governance Report

I. Organization System

(I) Organization Structure



(2) The Tasks of Each Principal Divisions

Principal Divisions	Major Tasks
Chairman room	<ol style="list-style-type: none"> 1. To set up outstanding cpc international brand management. 2. To integrate friendly relationship between upstream and downstream vendors in international market. 3. To fulfill the ethical corporate for social responsibility and environmental humanistic responsibility. 4. To promote corporate social responsibility and ethical operations. 5. To pursue the maximum benefit for all shareholders and sustainable operations for corporate.
General Manager Room	<ol style="list-style-type: none"> 1. Getting the operational goals of the company with schedule management 2. Assist the General Manager to manage the operation, product development, sales, quality control, and all other departments with coordination, supervision, execution. 3. Manage and promote the special task forces and projects to enhance the competitiveness of the company.
Auditing room	<ol style="list-style-type: none"> 1. To set out and implement each auditing policy and procedure of the Company. 2. To set out annual overall auditing plan. 3. To audit and inspect the implementation of internal control in each department, to provide improvement suggestion, to track defects and review.
Compensation committee	<ol style="list-style-type: none"> 1. To set out recommendation of salary and remuneration for board directors, supervisors and managers and regular assessment report. 2. To set out and review regularly the performance evaluation of board directors, supervisors and managers. 3. To set out and review regularly salary and remuneration policy, system, standard and structure of the Company.
Auditing committee	<ol style="list-style-type: none"> 1. Establish or amend the internal control system in accordance with the provisions of Article 14-1 of the Securities and Exchange Law. 2. Evaluate the effectiveness of the internal control system. 3. Establish or amend the relevant provision regarding the procedures for acquiring or disposing of assets, engaging in derivative commodity transactions, lending funds to others, or endorsing or providing guarantees for others with compliance of the company's articles of association. 4. Matters involving the director's own interests. 5. Major asset or derivative commodity transactions. 6. Significant capital loans, endorsements or guarantees. 7. Raising, issuing or involving in private placement of securities with an equity nature. 8. Appointment, dismissal and remuneration of certified accountants. 9. Appointment and dismissal of financial, accounting or internal audit officials. 10. Review the annual financial report signed or stamped by the chairman of the board, the manager and the accounting supervisor, and the second quarter financial report subject to verification by an accountant. 11. Other major matters specified by the company or the concerned authority.

Principal Divisions	Major Tasks
Standardization committee	<ol style="list-style-type: none"> 1. To check if the format and content of standardization documents proposed by each application unit conform to ISO 9001 quality system, environmental system and other systems of the Company or not. 2. To review and discuss the content of standardization documents to make the standard accord with actual demand. 3. Planning, adjustment, auditing, improvement and other activity management of ISO 9001 quality management system (QMS). 4. To promote and manage quality objectives. 5. To assist management representatives convene management examination meetings.
International sales dept.	<ol style="list-style-type: none"> 1. Setting and implementation of performance objectives. 2. Sales marketing. 3. Deliberation of project contract. 4. Resolution, feedback and tracking of customer service. 5. Setting and Tracking of forecasting for production and marketing. 6. Market research. 7. Inventory control among subsidiaries. 8. Accounts receivable collection.
Domestic sales dept.	<ol style="list-style-type: none"> 1. Setting and implementation of marketing plan. 2. Resolution and feedback of customer service. 3. Review and control of contract and order. 4. Setting and tracking of production and marketing prediction. 5. Setting and implementation of advertisement marketing strategy. 6. Information collection and analysis of the market and the same trade concerned. 7. Accounts receivable collection.
R & D dept.	<ol style="list-style-type: none"> 1. Search and analysis of competitor products and patents. 2. Development, design and patent application of new products. 3. To plan new rules for new products and analyze R&D technology of new products. 4. Function improvement of current products. 5. Audit and recognition of outsourcing components.
Manufacture process dept.	<ol style="list-style-type: none"> 1. Development of production technology. 2. Capacity planning and standard labor time making. 3. Processing and mechanical equipment SOP making. 4. Cost analysis. 5. Introduction of trial production for new products. 6. Sample making and functional testing, design of testing machine and measuring tools. 7. Testing and application of product safety and other regulations.
Software Development dept.	<ol style="list-style-type: none"> 2. The development of software. 3. The development of product related software and firmware. 4. Plan new product rules and analyze new product R&D technologies. 5. Functional enhancements and improvements to existing products.

Principal Divisions	Major Tasks
Accounting dept.	<ol style="list-style-type: none"> 1. General accounting section: <ol style="list-style-type: none"> (1) Recording of accounting transaction, storage of source documents and account books. (2) Issuance of receipt/payment, recording and storage of cash and bills. (3) Management of account receivable/payable and general ledger. (4) Management and control of the Company income and expenses. (5) Fixed assets management, tax treatment and tax credit of investment handling. (6) Drafting and implementation of accounting statement. (7) Handling of tax reporting. (8) Withholding, reporting and paying of income tax. (9) Handling and management of bounded affairs. (10) Handling the changes of industrial and business registration. (11) Financial management of subsidiaries. (12) Affairs of the board of directors and shareholders' meeting. (13) Cooperating work audited by accountant. 2. Cost section: <ol style="list-style-type: none"> (1) Calculation and analysis of product cost. (2) Management of purchasing, consumption and storing of inventory. (3) Stocktaking of raw material, semi-finished products, WIS and finished products. (4) Analysis, budgeting and management of the Company operation plan. (5) Preparation and analysis of management report. (6) Tax reporting of scraped products. (7) Cooperating work audited by accountant.
Financial dept.	<ol style="list-style-type: none"> 1. Handling of banking transactions. 2. Storage, issuance of receipt/payment and recording of cash, bills, and securities. 3. Analysis of financial operating plan, preparation of capital budgeting, fund raising and scheduling. 4. To supervise and assist fund raising, scheduling and management of subsidiaries. 5. Planning and implementation of corporate governance related affairs.
Management dept.	<ol style="list-style-type: none"> 1. Purchasing section: <ol style="list-style-type: none"> (1) To set out purchasing plan. (2) Development, assessment and management of new subcontractor or outsourcing manufacturer. (3) Inquiry, price comparison, bargaining and contracting of purchasing. (4) Domestic and overseas purchasing. (5) To Coordinate with subcontractor or outsourcing manufacturer. 2. Information section: <ol style="list-style-type: none"> (1) Responsible for the maintenance and planning of the Company's network host. (2) Planning, setting-up and basic maintenance of hardware circuit. (3) Planning and implementation of software. (4) To check system data and its use. (5) To backup data and maintain database regularly. (6) To coordinate and promote computerized operations. (7) Education and training of company informatization.

Principal Divisions	Major Tasks
Management dept.	<p>(8) Maintenance of ERP system, development and design of report.</p> <p>3. General affairs section:</p> <p>(1) Management and handling of staff meals and general affairs.</p> <p>(2) Management of transactional fixed assets and tools.</p> <p>4. Factory affairs section:</p> <p>(1) To ensure normal water supply and quality of air-compressor and air-conditioner.</p> <p>(2) To ensure smooth operation of firefighting system, watering and foaming.</p> <p>(3) Maintenance of wastewater system and treatment of wastewater.</p> <p>(4) To ensure supply and smooth operation of power system of the factory area.</p> <p>(5) Mechanical and electrical maintenance and improvement plan of the factory area.</p>
HR dept.	<p>1. To set out each HR related management system and development.</p> <p>2. Staff recruitment, selection, appointment, cultivation and retention development.</p> <p>3. Planning and implementation of education and training.</p> <p>4. Salary management and welfare system.</p> <p>5. Performance assessment and evaluation.</p> <p>6. Management and improvement of harmonious labor-capital relationship.</p>
Marketing dept.	<p>1. Design, maintenance and management of the Company website.</p> <p>2. Catalogue, advertising, propaganda and other art design.</p> <p>3. Arrangement and design of exhibition.</p> <p>4. Design of the Company overall image.</p> <p>5. Application and promotion of each product.</p>
Industrial safety and Hygiene dept.	<p>1. Establishment, promotion and maintenance of ISO14001 Environmental Management System, OHSAS18001 Occupational Safety and Health Management System (OSHMS) and CNS15506 OSHMS in Taiwan.</p> <p>2. Recognition, assessment and control of working environment or operation hazard.</p> <p>3. Management of machineries, equipment and appliance.</p> <p>4. Classification, labeling, hazard communication and management of hazardous chemicals.</p> <p>5. Strategic planning and monitoring of sampling in harmful operating environment.</p> <p>6. Manufacture process or construction safety assessment in dangerous workplace.</p> <p>7. Management of purchasing, contracting and change.</p> <p>8. Operating Standards for safety and health.</p> <p>9. Regular check, emphasized check, operation check, site inspection and 6S management.</p> <p>10. Education and training for safety and health.</p> <p>11. Management of personal safeguard device.</p> <p>12. Health examination, management and improvement.</p> <p>13. Collection, sharing and application of safety and health information.</p> <p>14. Emergency response and preparedness.</p>

Principal Divisions	Major Tasks
Industrial safety and Hygiene dept.	<ul style="list-style-type: none"> 15. Investigation and settlement and statistical analysis of occupational accidents, near misses, events that affect the physical and mental health. 16. Record of safety and health management and measures for performance assessment. 17. Other safety and health management measures.
QA dept.	<ul style="list-style-type: none"> 1. Practice of quality policy, implementation and correction of quality system and operation procedure. 2. To carry out and maintain related responsibilities regulated by quality system. 3. To assist and solve customers' problems. 4. Reason analysis, preventive measures, countermeasure formulation and follow-up processing of quality abnormal events. 5. Setting of calibration plan, management of inspection and testing equipment, implementation of internal calibration and control of external calibration. 6. Responding, handling and tracking of customers' complaints. 7. Inspection and judgment of incoming material, processing, finished products before shipment.
Manufacturing dept.	<ul style="list-style-type: none"> 1. Implementation and control of production line planning and scheduling. 2. Improve production efficiency, technology and quality of finished products. 3. Control and improvement of product yield. 4. Quality abnormal reaction and implementation of improvement. 5. Regular maintenance and calibration of manufacturing equipment and instruments. 6. Manpower training and employment plan and performance assessment.
Production management dept.	<ul style="list-style-type: none"> 1. Product management section: <ul style="list-style-type: none"> (1) Annual production and marketing planning. (2) Goal setting and MOC (management of change) of production planning. (3) Implementation of production planning, coordination of production, marketing and delivery. (4) Requirement, purchasing, allocation and control of production materials. 2. Warehouse management section: <ul style="list-style-type: none"> (1) Inventory management (including finished products, semi-finished products, WIP, raw materials, accessories). (2) Receiving and dispatching of material and finished products. (3) Stocktaking. (4) Requirement and control of material, improve inventory turnover ratio. (5) Ensuring proper warehousing and shipping.

II. Information of Directors, General Manager, Deputy General Manager, Assistant General Manager and Heads of Each Department and Each Branch

(I) Board directors

1. Information of board directors

March 31, 2023

Job Title	Nationality or place of registry	Name	Gender / Age	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship			Note
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Shares	Shareholding Ratio	Job Title	
Chairman and Chief Strategy Officer	The Republic of China	CHEN LI-FEN	Female (66-70)	May 26, 2023	3 years	October 14, 1998	4,019,675	4.50%	4,019,675	4.50%	6,137,271	6.88%	0	0	Art History of Universität Stuttgart, Founding President of National Cheng Kung University Innovation & Incubation, Alumni Association of National Tainan Girls' Senior High School 20th President of "Yi Chia Association"	Chief Strategy Officer of Chieftek Precision Co., Ltd., Chairman of Deneng Sunshine Investment Co., Ltd, Chairman of Deyuan Management Consulting Co., Ltd, Chairman of Zhenshanmeihui Investment Co., Ltd, Chairman of Gueirendefu Investment Co., Ltd, Chairman of Yijihde Management Consulting Co., Ltd, Chairman of GuangmingPuyuan Investment Co., Ltd, Chairman of Xinzhide Investment Co., Ltd, Chairman of Sunshine Bio Technology Co., Ltd, Chairman of Jiajihde Investment Co., Ltd, Chairman of Rongxin Investment Co., Ltd., Standing Director of Academia-Industry Consortium for Southern Taiwan Science Park, Director of Tainan Traditional Chinese Cultural College Foundation,	Board Director, General Manager and R&D Supervisor	HSU MING-CHE	Spouse	Note 4

Job Title	Nationality or place of registry	Name	Gender / Age	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship			Note
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation	
																Supervisor of The Hatta Yoichi Memorial Foundation for the Culture and Arts.(Note 2)				
Board Director, General Manager and R&D Supervisor	The Republic of China	HSU MING-CHE	Male (66-70)	May 26, 2023	3 years	October 14, 1998	6,137,271	6.88%	6,137,271	6.88%	4,019,675	4.50%	0	0	Master of Mechanical Engineering of Universität Stuttgart General Manager and R&D Supervisor of Chieftek Precision Co., Ltd.	General Manager and R&D Supervisor of Chieftek Precision Co., Ltd.	Board Chairman and Chief Strategy Officer	CHEN LI-FEN	Spouse	Note 4
Board Director	The Republic of China	LI AN	Female (71-75)	May 26, 2023	3 years	June 16, 2016	1,507,752	1.69%	1,507,752	1.69%	0	0	0	0	Bachelor of Nutrition, Fu Jen Catholic University; Master of Nutrition, New York University; Master of Computer, University of Denver; Computer Engineer of NREL; Senior Computer Engineer of US West Inc.; Information Chief of Motech Industries Inc.	Nil	Nil	Nil	Nil	
Board Director	The Republic of China	WANG CHEN PI-HSIA	Female (81-85)	May 26, 2023	3 years	December 30, 2004	610,890	0.68%	610,890	0.68%	60,866	0.07%	0	0	Provincial Tainan Girls' Senior High School Chairman of Yucheng Starch Co., Ltd. Supervisor of ST&T Electric Corp	Chairman of Yucheng Starch Co., Ltd., Supervisor of ST&T Electric Corp.	Nil	Nil	Nil	

Job Title	Nationality or place of registry	Name	Gender / Age	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship			Note
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation	
Board Director	The Republic of China	CHEN JIA-HAO	Male (66-70)	May 26, 2023	3 years	May 26, 2023	1,030,895	1.15%	1,030,895	1.15%	2,300	0	0	0	Bachelor of Systems and Naval Mechatronic Engineering of National Cheng Kung University, Master of Mechanical Engineering of Old Dominion University, Doctor of Mechanical Engineering of University of Florida, Teaching Assistant of Mechanical Engineering of Shu-Teh Junior College of Technology, Compressors Engineer of Panasonic Taiwan, Co., Ltd, Associate Professor of Mechanical Engineering of National Cheng Kung University, Visiting Researcher of Green Design and Manufacturing Research Group of National Institute of Advanced Industrial Science and Technology(AIST), Professor of Mechanical Engineering of National Cheng Kung University, Adjunct Professor of Mechanical Engineering of Cheng Kung University	Director of David Enterprise Co., Ltd.	Nil	Nil	Nil	

Job Title	Nationality or place of registry	Name	Gender / Age	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship			Note
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation	
Independent Director	The Republic of China	HO MING-ZIH	Male (56-60)	May 26, 2023	3 years	June 22, 2017	0	0	0	0	0	0	0	0	Bachelor of Engineering, National Cheng Kung University Master of Electrical Engineering, Texas A&M University Doctor of Electrical Engineering, Texas A&M University Researcher of Research headquarters, Ritek Corporation Assistant Professor of Engineering, National Cheng Kung University Associate Professor of Engineering, National Cheng Kung University	Associate professor of Engineering, National Cheng Kung University	Nil	Nil	Nil	
Independent Director	The Republic of China	ZENG XU-WEN	Male (71-75)	May 26, 2023	3 years	May 26, 2023	93,150	0.10%	93,150	0.10%	15,400	0.02%	0	0	Bachelor of Business Administration of National Cheng Kung University, Planning Supervisor of General Manager's Office of TECO Electric & Machinery Co., Ltd, Supervisor of Chieftek Precision Co., Ltd (From June 17, 2011 to June 21, 2020)	Nil	Nil	Nil		

Job Title	Nationality or place of registry	Name	Gender / Age	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship			Note
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation	
Independent Director	The Republic of China	WU LING-LING	Female (66-70)	May 26, 2023	3 years	May 26, 2023	37,747	0.04%	37,747	0.04%	0	0	0	0	Master of Special Education of University of Southern California, Supervisor of Chieftek Precision Co., Ltd (From November 12, 2010 to June 20, 2012)	Chairman of Lubao Fashion Agriculture Co., Ltd., Chairman of FusenXushi Planning Co., Ltd., Director of Volando Hotel Co., Ltd., Director of Tsuiyuan Investment Co., Ltd., Director of Jiaying Industrial Co., Ltd., Supervisor of Jiajuan Industrial Co., Ltd., Supervisor of Shin Kong Chao Feng Co., Ltd	Nil	Nil	Nil	
Independent Director	The Republic of China	WANG YONG ZHANG	Male (71-75)	May 26, 2023	3 years	May 26, 2023	177,943	0.20%	177,943	0.20%	16,173	0.02%	0	0	Director of Chieftek Precision Co., Ltd (From March 17, 2011 to June 16, 2014), Master of Electrical and Computer Engineering of Princeton University, Vice President of Great King Electronics Co., Ltd., Vice President of Acer Incorporated, Vice President of Hong Hai Precision Ind., Co., Ltd., Hsinchu Science Park Branch, Vice President of Antuo Technology Co., Ltd., CEO of Guangquan Technology Co., Ltd., General Manager of DSG Technology Inc,	Nil	Nil	Nil		

Job Title	Nationality or place of registry	Name	Gender / Age	Date of Election	Tenure of First office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship			Note
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation	
														General Manager Assistant of Chimei Corporation						

Note 1: Board directors and supervisors of the company did not take office in CPA Firm or its affiliated enterprise during the past year.

Note 2: Posts concurrently occupied in the company and other companies at present by Chairman CHEN LI-FEN include: Board Director of subsidiary corporations like CHIEFTEK PRECISION HOLDING CO., LTD., CPC Europa GmbH, CHIEFTEK PRECISION USA CO., LTD, CHIEFTEK Machinery (Kunshan) Co., Ltd., and Chieftek Precision International LLC.

Note 3: First time as company director or supervisor. Should there be any interruptions, please refer to Main Experience/Education Background.

Note 4: Director Chen, Li-Fen and General Manager Hsu, Ming-Che are spouses, and founded Chieftek Precision Co., Ltd. together, and not only do they have expertise of their own, they achieve their common life goals by establishing the company, helping Chieftek Precision Co., Ltd gradually grow stronger, and the husband and wife each has their specializations, their knowledge of the industry and operations is beneficial to the increase of the company's operating efficiency, creating maximum interest for the shareholders.

In light of these matters, Chieftek Precision has taken the following steps to strengthen the board's supervising functions:

- (1) Three supervisors have been elected by the shareholders' meeting on June 17, 2011, more than two Independent Directors which is required by law, with independent director Mr. Wei, Nai-Chang meeting the qualifications as "accounting or financial professional".
- (2) Over half of the fifth, sixth, and seventh board do not hold concurrent positions as employees or managers.
- (3) Elected three independent directors on June 8 2020, at the 2020 regular shareholders' meeting, and establish an audit committee.
- (4) In order to strengthen the supervisory function of the audit committee and comply with legal requirements, the Board of Directors resolved on May 26, 2023 to increase the number of independent directors from 3 to 4 at the time of the ninth term of the Board of Directors, and Mr. ZENG XU-WEN is an independent director who meets the qualification criteria as a "accounting or financial professional" as recognized.

(1) Principal shareholder of corporate shareholder: no such situation.

(2) As to that principal shareholder of corporate shareholder is legal person, its principal shareholders: No such situation.

2. Specialized knowledge and independence situation of board directors and supervisors:

March 31, 2024

Condition Name	Professional qualifications and experiences	Independence situation	Post concurrently occupied in the company and other companies at present
Chairman CHEN LI-FEN	<p>Mrs. CHEN LI-FEN has served as the Company director and chairman since foundation. Co-founding the Company with the general manager, together they strive to achieve mutual goals and lead cpc to a continuous growth. The couples have their distinguished specialties and are profoundly familiar with the industry and operation. Being keen on social welfare, she has earned herself a reputation of “Auntie Sunshine.”</p> <p>She has work experience required to deal with business matters, financial matters and management.</p> <p>She also holds the positions of the Standing Director of Academia-Industry Consortium for Southern Taiwan Science Park, the Director of Tainan Traditional Chinese Cultural College Foundation, and the Supervisor of The Hatta Yoichi Memorial Foundation for the Culture and Arts.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p> <p>The helmsman of the Chieftek Group.</p>	Not applicable	0
Director HSU MING-CHE	<p>Co-founding the Company with Mrs. CHEN LI-FEN, together they strive to achieve mutual goals and lead cpc to a continuous growth. The couples have their distinguished specialties and are profoundly familiar with the industry and operation.</p> <p>Mr. HSU MING-CHE graduated with a master degree of mechanical engineering from the University of Stuttgart. He has served as the director, general manager, and research supervisor since foundation. With the accumulation of industrial experiences and innovative leadership, he is qualified to deal with business management.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	Not applicable	0

Condition Name	Professional qualifications and experiences	Independence situation	Post concurrently occupied in the company and other companies at present
Director LI AN	<p>Mrs. LI AN graduated with a bachelor from Fu Jen Catholic University, a computer master from University of Denver, and a master from New York University. She was the former Computer Engineer of NREL, Senior Computer Engineer of US West Inc., Information Chief of Motech Industries Inc.</p> <p>She has work experience required to deal with information and operational management.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	Not applicable	0
Director WANG CHEN PI-HSIA	<p>Mrs. WANG CHEN PI-HSIA serves as the Chairman of Yucheng Starch Co., Ltd and the Supervisor of ST&T Electric Corp. She has practical experiences in managing companies and abilities in business, finance, and management.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	Not applicable	0
Director CHEN JIA-HAO	<p>Mr. CHEN JIA-HAO graduated with a bachelor of Systems and Naval Mechatronic Engineering from National Cheng Kung University, a master of Mechanical Engineering from Old Dominion University, a doctor of Mechanical Engineering from University of Florida. His abundant career experiences in management include the Teaching Assistant of Mechanical Engineering of Shu-Teh Junior College of Technology, the Compressors Engineer of Panasonic Taiwan, Co., Ltd, the Associate Professor of Mechanical Engineering of National Cheng Kung University, the Visiting Researcher of Green Design and Manufacturing Research Group of National Institute of Advanced Industrial Science and Technology(AIST), the Professor of Mechanical Engineering of National Cheng Kung University, the Adjunct Professor of Mechanical Engineering of Cheng Kung University, and the Director of David Enterprise Co., Ltd.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	Not applicable	0

Condition Name	Professional qualifications and experiences	Independence situation	Post concurrently occupied in the company and other companies at present
Independent Director HO MING-ZIH	<p>Mr. HO MING-ZIH graduated with a bachelor of Engineering from National Cheng Kung University and a doctor of Electrical Engineering from Texas A&M University. He has taken the positions of the Researcher of Research headquarters of Ritek Corporation, the Assistant Professor, and the Associate Professor of Engineering of National Cheng Kung University.</p> <p>With the abundant and diverse experiences, he is familiar with the technique in the industry.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	<p>An independent director and meets the conditions of independence, including but not limited to himself, his spouse, relatives within the second degree of kinship. Not serving as a director, supervisor or employee of the Company or its affiliated companies; not holding shares of the Company; Not acting as a director, supervisor or employee of a specific affiliated company; not recipient of the amount of remuneration obtained from providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years.</p>	0
Independent Director ZENG XU-WEN	<p>Mr. ZENG XU-WEN graduated from Business Administration of Cheng Kung University with an expertise in accounting and financing.</p> <p>He excelled in corporate operation and management as the Planning Supervisor of General Manager's Office of TECO Electric & Machinery Co., Ltd.</p> <p>He further fulfilled his duty as the Supervisor of Chieftek Precision Co., Ltd from June 17, 2011 to June 21, 2020.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	<p>An independent director and meets the conditions of independence, including but not limited to himself, his spouse, relatives within the second degree of kinship. Not serving as a director, supervisor or employee of the Company or its affiliated companies; holds 93,150 shares of the Company, shareholding ratio 0.10%; Not acting as a director, supervisor or employee of a specific affiliated company; not recipient of the amount of remuneration obtained from providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years.</p>	0
Independent Director WU LING-LING	<p>Mrs. WU LING-LING graduated with a master of Special Education from University of Southern California and was the Supervisor of Chieftek Precision Co., Ltd. from November 12, 2010 to June 20, 2012.</p> <p>With her abundant work experiences, her current positions are Chairman of Lubao Fashion Agriculture Co., Ltd., Chairman of FusenXushi Planning Co., Ltd., Director of Volando Hotel Co., Ltd., Director of Tsuiyuan Investment Co., Ltd., Director of Jiaying Industrial Co., Ltd., Supervisor of Jiajuan Industrial Co., Ltd., and Supervisor of Shin Kong Chao Feng Co., Ltd.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	<p>An independent director and meets the conditions of independence, including but not limited to himself, his spouse, relatives within the second degree of kinship. Not serving as a director, supervisor or employee of the Company or its affiliated companies; holds 37,747 shares of the Company, shareholding ratio 0.04%; Not acting as a director, supervisor or employee of a specific affiliated company; not recipient of the amount of remuneration obtained from providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years.</p>	0
Independent Director WANG YONG-ZHANG	<p>Mr. WANG YONG-ZHANG graduated with a master of Electrical and Computer Engineering from Princeton University and served as the Director of Chieftek Precision Co., Ltd. from March 17, 2011 to June 16, 2014.</p>	<p>An independent director and meets the conditions of independence, including but not limited to himself, his spouse, relatives within the second degree of kinship. Not serving as a director, supervisor or employee of the Company or its affiliated companies;</p>	

Condition Name	Professional qualifications and experiences	Independence situation	Post concurrently occupied in the company and other companies at present
Independent Director WANG YONG-ZHANG	<p>He has also served as the Vice President of Great King Electronics Co., Ltd., Vice President of Acer Incorporated, Vice President of Hong Hai Precision Ind., Co., Ltd., Hsinchu Science Park Branch, Vice President of Antuo Technology Co., Ltd., CEO of Guangquan Technology Co., Ltd., General Manager of DSG Technology Inc, General Manager of DSG Technology Inc, and General Manager Assistant of Chimei Corporation, all with excellent corporate operation and practical management.</p> <p>None of the provisions of Article 30 of the Company Act apply.</p>	<p>holds 177,943 shares of the Company, shareholding ratio 0.20%; Not acting as a director, supervisor or employee of a specific affiliated company; not recipient of the amount of remuneration obtained from providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years.</p>	0

(3) Diversity and independence of the Board of Directors:

The Company's Board of Directors resolved on May 9, 2014 that the Corporate Governance Best Practice Principles includes rules of diversity in chapter III, Enhancing the Functions of the Board of Directors. The company shall adhere to the articles of incorporation for nomination and election of the Board of Directors. It shall adopt the candidate nomination system, evaluate the criteria of candidates' experience and education, and refer to opinions of stakeholders. By following Director Election Procedure as well as Corporate Governance Best Practice Principles, we shall assure the diversity and independence of Board of Directors.

1. Diversity of the board of directors:

The Company has set up 9 directors (including 4 independent directors) according to the current operation scale and development needs. The professional backgrounds cover the fields of industry, law, management and other fields to implement the policy of diversifying the composition of the Board of Directors. Key policy objectives include:

- (1) The composition of the board of directors should consider diversity, and formulate an appropriate diversity policy according to its own operations, operation type and development needs, which should include but not limited to the following standards:
 - A. Basic conditions and values: gender, age, nationality and culture, etc.
 - B. Professional knowledge and skills: professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.
- (2) The members of the Board of Directors of the Company should generally have the knowledge, skills and qualities necessary to perform their duties, and their overall capabilities should be as follows:
 - A. Operational judgment.
 - B. Accounting and financial analysis skills.
 - C. Management ability.
 - D. Crisis handling ability.
 - E. Industry knowledge.
 - F. International Market View.
 - G. Leadership ability.
 - H. Decision-making ability.

(3) Board Members' Diversification Implementation Situation

Title	Name	Gender	Operation judgment	Accounting and financial analysis	Management	Crisis handling	Industry knowledge	International market view	Leadership capability	Decision-making ability	Risk managing knowledge and ability
Chairperson	CHEN LI-FEN	Female	✓		✓	✓	✓	✓	✓	✓	✓
Director	HSU MING-CHE	Male	✓		✓	✓	✓	✓	✓	✓	✓
Director	LI AN	Female			✓			✓			
Director	WANG CHEN PI-HSIA	Female			✓			✓			
Director	CHEN JIA-HAO	Male						✓			
Independent Director	HO MING-ZIH	Male				✓	✓	✓			✓
Independent Director	ZENG XU-WEN	Male		✓		✓	✓	✓			✓
Independent Director	WANG YONG-ZHANG	Male				✓	✓	✓			✓
Independent Director	WU LING-LING	Female				✓	✓	✓			✓

2. Independence of the Board of Directors:

(1) Independent directors account for 44.44% of the company's board members, and directors with employee status account for 22.22%; one of the four current independent directors has served a term of office for 7 to 9 years; three of the current independent directors have served a term of office for 3 years and below.

A. In order to achieve gender equality in the composition of directors, the goal is to have at least two female directors. The future goal is still to elect independent directors for each term, with a consecutive term of no more than 9 years and at least two female directors. The description of the independent directors, Mr. ZENG XU-WEN and Mrs. WU LING-LING, being qualified as accounting or financial professionals is as follows:

(A) Mr. ZENG XU-WEN:

In consideration of his bachelor's degree of Business Administration of National Cheng Kung University and the positions held as Planning Supervisor of General Manager's office of TECO Electric & Machinery Co., Ltd. and Supervisor of Chieftek Precision Co., Ltd., dating from June 17, 2011 to June 21, 2020, it is recognized that Mr. Zeng meets the qualifications of accounting or financial professionals. He is equipped with the expertise of accounting and auditing and is familiar enough with company business to provide consultancy on operational management. Having just set up its first audit committee, the Company especially relies on specialists like him with complete experience and education and with confidence in the Company's affairs in order to run business successfully. Additionally, he is able to reach his full potential, supervise, and provide professional advice while exercising his duty as an independent director.

(B) Mrs. WU LING-LING:

In consideration of her master's degree of Special Education of University of Southern California, her former position as the Supervisor of Chieftek Precision Co., Ltd., dating from November 12, 2010 to June 20, 2012, and her positions as Chairman of Lubao Fashion Agriculture Co., Ltd., Chairman of FusenXushi Planning Co., Ltd., Director of Volando Hotel Co., Ltd., Director of Tsuiyuan Investment Co., Ltd., Director of Jiaying Industrial Co., Ltd., Supervisor of Jiajuan Industrial Co., Ltd., and Supervisor of Shin Kong Chao Feng Co., Ltd., and Supervisor of Shin Kong Chao Feng Co., Ltd., Mrs. Wu practices managing corporations and has abundant experiences. Not only does she excel in business and corporate management, she also provides critical consultancy towards the Company's

operational management. Additionally, she is able to reach her full potential, supervise, and provide professional advice while exercising her duty as an independent director.

B. On June 8, 2020, three independent directors were elected at the general meeting of shareholders, and the first audit committee was established; On May 26, 2023, four independent directors were elected at the general meeting of shareholders, and the second audit committee was established.

C. The chairperson of the Company, CHEN LI-FEN, and the general manager, HSU MING-CHE, are spouses, and jointly established **cpc**. They not only have their skills, but also through the establishment of the company to achieve a common life goal, also let **cpc** continue to grow and expand, and the husband and wife have their own expertise. They are very familiar with the industry and operations, which is beneficial to the improvement of the Company's operating efficiency and maximizes the interests of shareholders. In response to the above situation and to strengthen the supervisory function of the Audit Committee in compliance with legal regulations, the board of directors has decided on May 26, 2023, to increase the number of independent director seats from three to four at the shareholders' meeting when the ninth term of the board of directors were elected.

(2) The independence situations of the Board of Directors

The Company's current Board of Directors consists of 9 seats including four independent directors accounting for 44.44% with more than one third of the whole. As of the end of 2023, all of the independent directors have complied with the regulations of the Securities and Futures Bureau of the Financial Supervisory Commission regarding independent directors.

(III) Information on General Manager, Vice-General Manager, Assistant General Manager and Heads of Each Department and Each Branch

March 31, 2024

Job Title	Nationality	Name	Gender	Date of Election	Shareholdings		Shareholdings of the Spouse and Minor Children		Shareholdings in the Name of Others		Main Experience/ Education Background	Post concurrently occupied in other companies at present	Manager with the relationship of spouse or that within the second degree of kinship			Note
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation	
Chief Strategy Officer	The Republic of China	CHEN LI-FEN	Female	October 19, 1998	4,019,675	4.50%	6,137,271	6.88%	0	0	Art History of Universität Stuttgart, Founding President of National Cheng Kung University, Alumni Association of The National Tainan Girls Senior High School	Chief Strategy Officer of Chieftek Precision Co., Ltd., Chairman of Deneng Sunshine Investment Co., Ltd, Chairman of Deyuan Management Consulting Co., Ltd, Chairman of Zhenshanmeihui Investment Co., Ltd, Chairman of Gueirendefu Investment Co., Ltd, Chairman of Yijihde Management Consulting Co., Ltd, Chairman of GuangmingPuyuan Investment Co., Ltd, Chairman of Xinzhide Investment Co., Ltd, Chairman of Sunshine Bio Technology Co., Ltd, Chairman of Jiajihde Investment Co., Ltd, Chairman of Rongxin Investment Co., Ltd., Standing Director of Academia-Industry Consortium for Southern Taiwan Science Park, Director of Tainan Traditional Chinese Cultural College Foundation, Supervisor of The Hatta Yoichi Memorial Foundation for the Culture and Arts.(Note 2)	General Manager and R&D Supervisor	HSU MING-CHE	Spouse	Note 3
General Manager and R&D Supervisor	The Republic of China	HSU MING-CHE	Male	October 19, 1998	6,137,271	6.88%	4,019,675	4.50%	0	0	Master of Mechanical Engineering of Universität Stuttgart	Director of CHIEFTEK PRECISION CO., LTD.	Chairman and Chief Strategy Officer	CHEN LI-FEN	Spouse	Note 3
Vice-General Manager of Domestic Business Department	The Republic of China	CHEN MIN-CHANG	Male	February 5, 2021	53,597	0.06%	0	0	0	0	WYGL Textile Machinery Department	General Manager of CHIEFTEK Machinery (Kunshan) Co., Ltd	Nil	Nil	Nil	
Assistant Manager of International Sales Department	The Republic of China	PENG CHIUNG-YIN	Female	December 17, 2010	601,040	0.67%	0	0	0	0	German Department of Universität Trier Assistant Business Manager of cpc Europa GmbH	Nil	Nil	Nil	Nil	

Job Title	Nationality	Name	Gender	Date of Election	Shareholdings		Shareholdings of the Spouse and Minor Children		Shareholdings in the Name of Others		Main Experience/ Education Background	Post concurrently occupied in other companies at present	Manager with the relationship of spouse or that within the second degree of kinship			Note
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation	
Chief Financial Officer Corporate Governance Supervisor	The Republic of China	LI PAI-TSANG	Male	June 8, 2012	3,440	0%	0	0	0	0	NCKU Department of Accountancy; Financial Manager of Univacco Technology Inc.	Supervisor of CHIEFTEK Machinery (Kunshan) Co., Ltd	Nil	Nil	Nil	
HR manager	The Republic of China	YEH CHING-CHING	Female	July 7, 2011	566,003	0.63%	0	0	0	0	German Language Teaching Department of Universität Trier	Nil	Nil	Nil		
Manager of Product Development	The Republic of China	WU HSUAN-CHUN	Male	March 31, 2015	0	0%	0	0	0	0	National Cheng Kung University, Department of Mechanical Engineering	Nil	Nil	Nil		
Manager of Domestic Business Department	The Republic of China	SHEN DONG-YI	Male	August 03, 2011	638	0%	490	0%	0	0	Department of Business Administration, Far East University	Nil	Nil	Nil		
Technical Manager of Software Development Department	The Republic of China	LI YI-RU	Male	September 24, 2021	0	0%	0	0	0	0	Master of Electric Engineering, National Cheng Kung University	Nil	Nil	Nil		
Assistant Manager of Health Division	The Republic of China	CHU YU-KU	Male	February 18, 2022	20,000	0.02%	0	0	0	0	Bachelor of Department of Information Management, Southern Taiwan University of Science and Technology;	Nil	Nil	Nil		
Deputy Manager of Equipment Maintenance Division and Factory Affairs Division	The Republic of China	HUANG KUN-WEI	Male	February 18, 2022	0	0%	0	0	0	0	Bachelor of Department of Automation Engineering, National Formosa University;	Nil	Nil	Nil		
Manager of Accounting Department (Accounting Supervisor)	The Republic of China	WU CHIA-YUNG	Female	January 01, 2019 (February, 26, 2024)	40,000	0.05%	0	0	0	0	Bachelor of Department of Accounting Information, Shih Chien University Assistant manager of Deloitte Touche Union Accountants firm	Nil	Nil	Nil		

Job Title	Nationality	Name	Gender	Date of Election	Shareholdings		Shareholdings of the Spouse and Minor Children		Shareholdings in the Name of Others		Main Experience/ Education Background	Post concurrently occupied in other companies at present	Manager with the relationship of spouse or that within the second degree of kinship			Note
					Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation	
Audit Supervisor	The Republic of China	LIN, SHU-SING	Female	February 5, 2021	0	0%	0	0	0	0	Master in Accounting, National Chung Cheng University Auditor of C.T.I. Ltd. Cashier, FU LUONG Hi-Tech co. ltd	Nil	Nil	Nil		

Note 1: General Manager, Vice-General Manager, Assistant General Manager and Heads of Each Department and Each Branch of the company didn't take office in CPA Firm or its affiliated enterprise during the past year.

Note 2: Posts concurrently occupied in the company and other companies at present by Chairman CHEN LI-FEN include: Board Director of subsidiary corporations like CHIEFTEK PRECISION HOLDING CO., LTD., cpc Europa GmbH, CHIEFTEK PRECISION USA CO., LTD, CHIEFTEK Machinery (Kunshan) Co., Ltd and Chieftek Precision International LLC, etc.

Note 3: Company chairman Chen, Li-Fen and general manager Hsu, Ming-Che are spouses or relatives within the first degree, its reasoning, rationality, necessity, and countermeasures, please view the details in 2. Information of Directors, Supervisors, General Manager, Deputy General Manager, Assistant-General Manager and Heads of Each Department and Each Branch: (1) Board directors and supervisors: 1. Data of board directors and supervisors: Note 4.

(III) Remuneration paid to Director (including Independent Director), General Manager and Vice-General Manager in the Most Recent Fiscal Year

(1) Remuneration paid to Director and Independent Director

Unit: NT\$ thousand dollar/share in thousand

Job Title	Name	Director's remuneration								Proportion of total amount of A, B, C and D in profit after tax (%)		Remuneration received by employee concurrently served								Proportion of total amount of the first seven items (A, B, C, D, E, F and G) in profit after tax (%)		Whether receiving the remuneration from re-investment career beyond the subsidiary company
		Remuneration (A)		Resignation retirement pay (B)		Director's remuneration (C)		Business execution cost (D)				Salary, bonus, extraneous charges etc. (E)		Resignation retirement pay (F)		Employee rewards (G)						
		The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	Cash Amount	Stock Amount	Cash Amount	Stock Amount	The company	All companies in the financial reports	
Chairman and Chief Strategy Officer	CHEN LI-FEN	0	0	0	0	1,415	1,415	138	138	1,553 1.58%	1,553 1.58%	14,042	14,042	0	0	1,613	0	1,613	0	17,208 17.55%	17,208 17.55%	Nil
Board Director, General Manager and R&D Supervisor	HSU MING-CHE																					
Board Director	LIAN																					
Board Director	WANG CHEN PI-HSIA																					
Board Director	CHENG SHENG-FEN (Note 9)																					
Board Director	CHEN JIA-HAO (Note 9)																					
Independent Director	HO MING-ZIH	536	536	0	0	1,014	1,014	198	198	1,748 1.78%	1,748 1.78%	0	0	0	0	0	0	0	0	1,748 1.78%	1,748 1.78%	Nil
Independent Director	WEI NAI-CHANG (Note 9)																					
Independent Director	WU CHUNG-JEN (Note 9)																					

Independent Director	ZENG XU-WEN (Note 9)																			
Independent Director	WANG YONG-ZHANG (Note 9)																			
Independent Director	WU LING-LING (Note 9)																			

Note 1: Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to the responsibilities, risks and time invested:

- (1) According to the provisions of one of Articles 16, 19 and 21 of the company's articles of association, the board of directors shall agree on the degree of participation and contribution of the directors and supervisors to the company's operations, and refer to industry standards.
- (2) Distribute directors and supervisors for compensation at a profit not less than 3% in the current year

Note 2: It refers to subscribed shares (excluding the executed part) on employee stock option certificates that board directors with additional post of employees (including general manager, deputy general manager, other managers and employees) gain as of the date of annual report print.

Note 3: The Company provides a vehicle to CHEN LI-FEN, Chairman and Chief Strategy Officer, Annual rental cost paid in 2023 is NT\$352 thousand, fuel expense is around NT\$35 thousand.

Note 4: The Company provides a vehicle to HSU MING-CHE, Board Director and concurrently occupied of General Manager and R&D supervisor. Annual rental cost paid in 2023 is NT\$189 thousand, fuel expense is around NT\$22 thousand

Note 5: The proposed distribution of employee compensation and director remuneration for the year 2023 has not yet been approved by the Remuneration Committee, Audit Committee, and Board of Directors.

Note 6: Remuneration and salary are calculated by salary and meal allowance.

Note 7: Business execution fee means traffic allowance.

Note 8: The remuneration received by the directors of the company in the latest fiscal year for providing services to the company (such as serving as non-employee consultants, etc.): None.

Note 9: On May 26, 2023, the Company held a shareholders' meeting to reelect directors:

- 1. The director, Mr. CHENG SHENG-FANG, did not remain in office; Mr. CHEN JIA-HAO was elected.
- 2. The independent directors, Mr. WEI NAI-CHANG and Mr. WU CHUNG-JEN, did not remain in office; Mr. ZENG XU-WEN, Mr. WANG YONG-ZHANG, and Mrs. WU LING-LING were elected.

Remuneration Interval Table

1.Board Directors:

Interval of remuneration paid to each board directors of the company	Names of board directors			
	The amount of remuneration of the first four items (A+B+C + D)		The amount of remuneration of the first seven items (A+B+C + D+E+F+G)	
	The company	All companies in the financial reports	The company	All companies in the financial reports
<NT\$1,000,000 dollars	CHEN LI-FEN, HSU MING-CHE, LI AN, CHENG SHENG-FEN, WANG CHEN PI-HSIA, CHEN JIA-HAO	CHEN LI-FEN, HSU MING-CHE, LI AN, WANG CHEN PI-HSIA, CHENG SHENG-FEN, CHEN JIA-HAO	LI AN, CHENG SHENG-FEN, WANG CHEN PI-HSIA, CHEN JIA-HAO	LI AN, CHENG SHENG-FEN, WANG CHEN PI-HSIA, CHEN JIA-HAO
NT\$1,000,000 dollars (included) ~ NT\$2,000,000 dollars (excluding)	0	0	0	0
NT\$2,000,000 dollars (included) ~ NT\$3,500,000 dollars (excluding)	0	0	0	0
NT\$3,500,000 dollars (included) ~ NT\$5,000,000 dollars (excluding)	0	0	0	0
NT\$5,000,000 dollars (included) ~ NT\$10,000,000 dollars (excluding)	0	0	CHEN LI-FEN, HSU MING-CHE	CHEN LI-FEN, HSU MING-CHE
NT\$10,000,000 dollars (included) ~ NT\$15,000,000 dollars (excluding)	0	0	0	0
NT\$15,000,000 dollars (included) ~ NT\$30,000,000 dollars (excluding)	0	0	0	0
NT\$30,000,000 dollars (included) ~ NT\$50,000,000 dollars (excluding)	0	0	0	0
NT\$50,000,000 dollars (included) ~ NT\$100,000,000 dollars (excluding)	0	0	0	0
>NT\$100,000,000 dollars	0	0	0	0
In total	6 persons	6 persons	6 persons	6 persons

2.IndependentDirectors

Interval of remuneration paid to each board directors of the company	Names of board directors			
	The amount of remuneration of the first four items (A+B+C+D)		The amount of remuneration of the first seven item (A+B+C+D+E+F+G)	
	The company	All companies in the financial reports	The company	All companies in the financial reports
<NT\$1,000,000 dollars	HO MING-ZIH, WEI NAI-CHANG, WU CHUNG-JEN, ZENG XU-WEN, WANG YONG-ZHANG, WU LING-LING	HO MING-ZIH, WEI NAI-CHANG, WU CHUNG-JEN, ZENG XU-WEN, WANG YONG-ZHANG, WU LING-LING	HO MING-ZIH, WEI NAI-CHANG, WU CHUNG-JEN, ZENG XU-WEN, WANG YONG-ZHANG, WU LING-LING	HO MING-ZIH, WEI NAI-CHANG, WU CHUNG-JEN, ZENG XU-WEN, WANG YONG-ZHANG, WU LING-LING
NT\$1,000,000 dollars (included) ~ NT\$2,000,000 dollars (excluding)	0	0	0	0
NT\$2,000,000 dollars (included) ~ NT\$3,500,000 dollars (excluding)	0	0	0	0
NT\$3,500,000 dollars (included) ~ NT\$5,000,000 dollars (excluding)	0	0	0	0
NT\$5,000,000 dollars (included) ~ NT\$10,000,000 dollars (excluding)	0	0	0	0
NT\$10,000,000 dollars (included) ~ NT\$15,000,000 dollars (excluding)	0	0	0	0
NT\$15,000,000 dollars (included) ~ NT\$30,000,000 dollars (excluding)	0	0	0	0
NT\$30,000,000 dollars (included) ~ NT\$50,000,000 dollars (excluding)	0	0	0	0
NT\$50,000,000 dollars (included) ~ NT\$100,000,000 dollars (excluding)	0	0	0	0
>NT\$100,000,000 dollars	0	0	0	0
In total	6 persons	6 persons	6 persons	6 persons

(2) Remuneration of General Managers and Deputy General Managers

Unit: NT\$ in thousand

Job Title	Name	Salary (A)		Resignation retirement pay (B)		Bonus, extraneous charges, etc. (C)		Employee rewards (D)				Proportion of total amount of the first four items (A, B, C, D) in profit after tax (%)		Remuneration received from non-subsidary reinvestment business or parent company
		The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company		All companies in the financial reports		The company	All companies in the financial reports	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
General manager	HSU MING-CHE													
Vice-General Manager of Domestic Business Department (Note 1 and 2)	CHEN MIN-CHANG	10,126	10,830	0	0	895	898	2,146	0	2,146	0	13,167 13.43%	13,874 14.15%	Nil

Note 1: Chieftek Machinery Kunshan Co., Ltd., the Company's owned company in China, provides a vehicle to CHEN MIN-CHANG, Vice-General Manager of Domestic Business Department in 2015 with the cost of RMB226 thousand.

Note 2: The Company provides a vehicle to CHEN MIN-CHANG, Vice-General Manager of the Business Department. Annual rental cost paid in 2023 is NT\$233 thousand (personal responsibility for fuel expenses).

Remuneration Interval Table

Interval of remuneration paid to each general manager and deputy general manager of the company	Names of general managers and vice-general managers	
	The company	All the companies in the financial reports (E)
<NT\$1,000,000 dollars	0	0
NT\$1,000,000 dollars (included) ~ NT\$2,000,000 dollars (excluding)	0	0
NT\$2,000,000 dollars (included) ~ NT\$3,500,000 dollars (excluding)	0	0
NT\$3,500,000 dollars (included) ~ NT\$5,000,000 dollars (excluding)	0	0
NT\$5,000,000 dollars (included) ~ NT\$10,000,000 dollars (excluding)	HSU MING-CHE CHEN MIN-CHANG	HSU MING-CHE CHEN MIN-CHANG
NT\$10,000,000 dollars (included) ~ NT\$15,000,000 dollars (excluding)	0	0
NT\$15,000,000 dollars (included) ~ NT\$30,000,000 dollars (excluding)	0	0
NT\$30,000,000 dollars (included) ~ NT\$50,000,000 dollars (excluding)	0	0
NT\$50,000,000 dollars (included) ~ NT\$100,000,000 dollars (excluding)	0	0
NT\$100,000,000 dollars or above	0	0
In Total	2 persons	2 persons

(3) Name and Distributed Status of the Manager Who Distributed the Employee's Remuneration

March 31, 2024; Unit: NT\$ in thousand

	Job Title	Name	Stock amount	Cash amount	Total	Proportion of total amount in profit after tax(%)
Manager	Chief Strategy Officer	CHEN LI-FEN	0	2,848	2,848	2.91%
	General Manager and R&D Supervisor	HSU MING-CHE				
	Vice-General Manager of Business Department (Note 1)	CHEN MIN-CHANG				
	Assistant Manager of International Sales Department	PENG CHIUNG-YIN				
	Chief Financial Officer (Financial and Governance Supervisor)	LI PAI-TSANG				
	Manager of Accounting Department	WU JIA-YUNG				

Note 1: The proposed distribution of annual employee remuneration for 2023 has not yet been approved by the Remuneration and Remuneration Committee, the Audit Committee and the Board of Directors.

(IV) Compare and explain the analysis of the ratio of the total remuneration of the company and all companies in the consolidated statements to the directors, supervisors, general managers and deputy general managers of the company in the net profit after tax of the individual or individual financial reports, and explain the policy of remuneration, standards and portfolios, remuneration procedures and the relationship between operating performance and future risks:

1. Analysis of the ratio of the total remuneration paid by the company and all companies in the consolidated reports to the directors, independent directors, supervisors, general managers and deputy general managers of the company to the net profit after tax of the individual financial reports in the last two years:

Summary	2023		2022	
	Proportion in profit after tax (%)		Proportion in profit after tax (%)	
	The company	All companies in the Financial reports	The company	All companies in the Financial reports
Board Director	17.55%	17.55%	4.74%	4.74%
Independent Director	1.78%	1.78%	0.52%	0.52%
General Manager and Vice-general Manager	13.43%	14.15%	3.01%	3.22%

2. Remuneration policies, standards and portfolios, the procedure for determining remuneration of the company, and its linkage to operating performance and future risk exposure:

(1) Remuneration policy of board directors, independent directors, supervisors, general manager and deputy general manager of the company:

Implemented in accordance with Articles 16, 19, and 21-1 of the Articles of Association, the details are below:

Article 16: The directors and supervisors of the company are allowed to receive remuneration such as transportation fees and salaries. The remuneration of the board of directors authorizes the board of directors and supervisors to agree on the degree of participation and contribution of the directors and supervisors to the operation of the company, and to negotiate in accordance with industry standards

Article 19: The company may have a manager, and its appointment, termination and remuneration shall be handled in accordance with the provisions of Article 29 of the Company Act

Article 21-1: The company shall distribute the employees' remuneration from 3% to 15% of the current year's profit status and the directors and supervisors from the current year's profit status of not more than 3%. But the company should make up for the accumulated losses

Employee compensation can be paid in cash or stock, and the recipients of cash or stock can include employees of subordinate companies that meet certain conditions, which are determined by the board of directors.

The profit status of the year refers to the current year's pre-tax benefits before deducting the distribution of employees' compensation and the benefits of directors and supervisors' compensation.

- (2) Remuneration standards and portfolios for board directors, independent directors, general managers, and deputy general managers

(1) Remuneration standards and structure for board directors and supervisors	
Remuneration of directors	Distribute remuneration for directors and supervisors by no more than 3% of the fiscal year's profitability
Salary	1. Normal directors do not have monthly salaries 2. Independent directors have a monthly salary of NT\$10,000
Transportation Fee	1. Receive a transportation fee of NT\$6,000 from each board meeting attendance
(2) Remuneration System, Standards and Structure for Managers	
Basic Monthly Salary	Refer to the company's salary and remuneration for the same position in recent years
Monthly Manager Bonus	Standard payment according to the company position's compensation
Year-End Bonus	According to the company's annual surplus status assessment, the payment is calculated based on the base of salary in accordance to the method for other employees
Employee Remuneration	If the company has a profit for the year, it should reserve the loss in advance, and the employee should be paid 3% to 15% of the profit of the current year from the balance.
Pension	The method of accounting for the total pension benefits in accordance with the provisions of the Pension Management Committee

- (3) Remuneration payment determination procedure for directors, general managers and deputy general managers:
- A. The Remuneration Committee considers and approves the proposal for the remuneration policy and system for directors, general managers and deputy general managers, and submits to the board of directors for resolution and implementation
 - B. The Remuneration Committee reviews and approves the performance evaluation system for directors, supervisors, general managers and deputy general managers, and regularly assesses and evaluates individual business performance as a reference for remuneration
- (4) Relevance of directors, independent directors, supervisors, general managers and deputy general managers' remuneration to operating performance and future risks
- A. Remuneration payment varies according to the degree of participation and contribution value of each director, independent director, general manager and deputy general manager to the company
 - B. The remuneration of directors and supervisors and employees in the remuneration structure are directly related to operating performance
 - C. Prior to the start of the operating year, the proposed remuneration for directors, supervisors, and employees will be based on profitability, and submitted for approval of a fixed amount by the general manager and chairman. After the end of the year, the individual distribution amount will be determined based on the actual

profitability, degree of personal participation in the company's operation and contribution value, and the achievement rate of performance goals.

IV. Status of the Company's implementation of corporate governance

(I) Information of operation and situation of the board of directors:

1. 7 meetings (A) were held by the Board of Directors in 2023, including 4 meetings by the eighth Board of Directors and 3 meetings by the ninth Board of Directors. The attendance situation is as follows:

Job Title	Name	Actual attendance time (B)	Entrusted attendance time	Actual attendance ratio (%) (B/A)	Remark
Chairman	CHEN LI-FEN	7	0	100.00%	
Director	HSU MING-CHE	6	1	85.71%	
Director	LI AN	6	0	85.71%	
Director	WANG CHEN PI-HSIA	7	0	100.00%	
Director	CHENG SHENG-FEN	3	1	75.00%	Note 1
Director	CHEN JIA-HAO	3	0	100.00%	Note 1
Independent Director	HO MING-ZIH	7	0	100.00%	
Independent Director	WEI NAI-CHANG	4	0	100.00%	Note 1
Independent Director	WU CHUNG-JEN	4	0	100.00%	Note 1
Independent Director	ZENG XU-WEN	3	0	100.00%	Note 1
Independent Director	WANG YONG-ZHANG	3	0	100.00%	Note 1
Independent Director	WU LING-LING	3	0	100.00%	Note 1

Note 1: On May 26, 2023, the Company held a shareholders' meeting to reelect directors:

1. The director, Mr. CHENG SHENG-FANG, did not remain in office; Mr. CHEN JIA-HAO was elected.
2. The independent directors, Mr. WEI NAI-CHANG and Mr. WU CHUNG-JEN, did not remain in office; Mr. ZENG XU-WEN, Mr. WANG YONG-ZHANG, and Mrs. WU LING-LING were elected.

Other Essential Matters:

I. Should the following situations occur in the board's operations, the board meeting's date, period, motion contents, the independent directors' opinions and the board's response:

(I) Items listed under Item 3, Article 14 of Securities Exchange Act:

1. On January 26, 2023, the board of directors discussed the "Manager's 2022 Year-end Bonus Proposal Reviewed by the Salary and Compensation Committee." Except for Director CHEN LI-FEN and Director HSU MING-CHE, who abstained from discussing and voting due to conflicts of interest, all other directors (including independent directors) had no objections and passed the proposal.
2. On January 26, 2023, the board of directors discussed the "Salary and Compensation Regulations for Managers in 2022" proposal. Except for Director CHEN LI-FEN and Director HSU MING-CHE, who abstained from discussing and voting due to conflicts of interest, all other directors (including independent directors) had no objections and passed the proposal.
3. On January 26, 2023, the board of directors discussed the "Amendment of Remuneration Regulations

for Managers and Review on Adjustment of Remuneration for Managers by the Salary and Compensation Committee” proposal. Except for Director CHEN LI-FEN and Director HSU MING-CHE, who abstained from discussing and voting due to conflicts of interest, all other directors (including independent directors) had no objections and passed the proposal.

4. On May 9, 2023, the board of directors discussed the “Allotment of Compensation for Directors and Supervisors in 2022 Reviewed by the Salary and Compensation Committee” proposal. Except for Director CHEN LI-FEN and Director HSU MING-CHE, who abstained from discussing and voting due to conflicts of interest, all other directors (including independent directors) had no objections and passed the proposal.
5. On May 9, 2023, the board of directors discussed the “Distribution of Employee Compensation for 2022 by the Salary and Compensation Committee for Managers” proposal. Except for Director CHEN LI-FEN and Director HSU MING-CHE, who abstained from discussing and voting due to conflicts of interest, all other directors (including independent directors) had no objections and passed the proposal.
6. On May 9, 2023, the board of directors discussed the “Updated Distribution of Company Vehicles Reviewed by the Salary and Compensation Committee for Managers” proposal. Except for Director CHEN LI-FEN and Director HSU MING-CHE, who abstained from discussing and voting due to conflicts of interest, all other directors (including independent directors) had no objections and passed the proposal.

(II) Other resolution matters of the board of directors that independent directors hold the objection or reservations and have related record or written statement:

The decisions of the independent directors at the 2023 Board of Directors are summarized as follows (For details, please refer to (11) Important Resolutions of the Shareholders’ Meeting and the Board of Directors for the recent fiscal year and as of the date of publication of the annual report):

1. Independent director’s opinion: Nil.
2. The company’s handling of the opinions of independent directors: Nil.
3. Results of the resolution: All attending the independent directors agreed to pass

II. As for implementation situation that board directors avoid the proposal in which they have a stake, items like director’s name, motion content, reasoning for avoidance and voting participation situation shall be detailed:

1. Except for the items listed in Article 14-3 of the (1) Securities and Exchange Act above, all directors present agreed to pass
2. It shall refer to sub item 1 of the first item.

III. Public companies should disclose information such as the board’s self (and peer) evaluation’s assessment cycle and period, range, method, and content.

The Company has established the Board Assessment Scheme on 9 February 2018 through the Board Meeting. The Scheme includes an annual assessment cycle and the method of self-assessment questionnaire for the Board Directors. The assessment report reviewed by the Board would be released on the Company’s website. The self-assessment questionnaires for 2023 have been completed in February 2024 and would be released after review by the Board Meeting on 2 February, 2024.

Assessment Cycle	Assessment Period	Assessment Range	Assessment Method	Assessment Content
Once every year	January 1, 2023 to December 31, 2023	The Board	The Board’s Internal Assessment	<ol style="list-style-type: none"> 1. The level of participation in the company’s operations 2. The quality of the board’s decisions 3. The composition and structure of the board 4. The selection and continuous training of directors 5. Internal control
		Individual Board Members	Board Members’ Self Evaluation (or peers) Assessment	<ol style="list-style-type: none"> 1. The company’s objectives and tasks 2. The recognition of directors’ responsibilities 3. The degree of participation in the company’s operations 4. Internal relationship management and communication 5. The professional and continuous training of directors 6. Internal control, etc.

IV. Objectives to enhance the function of the board of directors (such as setting audit committee and promoting information transparency) in the current year and in the most recent fiscal year and related

execution situation evaluation:

- (I) The company's Fourth term of the Remuneration Committee consists of three independent directors, whereas the Fifth term of the Remuneration Committee consists of four independent directors, responsible for conducting periodic evaluations and establishing the overall compensation policy for the company, establishing and regularly (at least once a year) reviewing policies, systems, standards, and structures for director and executive performance evaluations and compensation, conducting periodic evaluations and establishing compensation for directors, executives, and employee bonus plans or other employee incentive plans.
 - (II) Article 13 of the Articles of Association stipulates: the company shall set an Audit Committee in accordance with the regulations of Securities Exchange Act; the Audit Committee shall be composed of the whole independent directors, whose number shall be not less than 3, and at least 1 person should have accounting or financial expertise; function and power execution, organizational rules and other observable matters of the Audit Committee shall be handled according to relevant statutes or the company regulations; the company is due to establish Audit Committee after the re-election of the 2020 Board of Directors to strength the board's functions, and further set various functional committees in accordance with Articles of Association, so as to perfect the decision-making function and strengthen the management mechanism.
 - (III) According to the annual audit plan, the audit supervisor performs internal control audit operations on the financial and business conditions, and submits a summary report of the last month's verification of missing deficiencies and improvements and tracking to the three independent directors and supervisors in writing before the end of the next month. Independent directors and supervisors can also direct case audit reports based on the need for missing circumstances
 - (IV) The communication between the independent directors and the internal audit supervisors or accountants (such as the methods, matters and results on the Company's financial reports and financial and business conditions) is disclosed on the Company's website
 1. The internal audit supervisor of the Company regularly reports the internal audit report to the independent directors, and the independent directors have no dissent.
 2. The internal audit supervisor is present at the board of directors and reports the auditing results of the internal audit to the independent directors. The supervisors have no dissent.
 3. When an independent director attends the board of directors, he or she will directly consult with the accountant. If necessary, he or she must contact the accountant directly to communicate with the financial condition.
 4. Disclosed on the Company's website in due course.
 - (V) Improvement of information transparency

After each director board meeting is held, important resolutions of the board of directors shall be handled for announcement and regularly updated on the company website according to relevant regulations.
 - (VI) In order to increase the protection of directors, the directors and supervisors' responsibilities are rationalized through the insurance of directors and supervisors' liability insurance. The company has insured liability insurance for directors, supervisors and important staff, with an insurance amount of USD 1 million; the insurance period is from September 26, 2023 to September 26, 2024, and submitted the report of the board of directors on November 7, 2023.
 - (VII) Provided relevant executive education courses for the directors and supervisors to enhance the function of the board of directors. The total hours of course taken in 2023 was 78 hours with 9 members of the Board.
 - (VIII) As requested by the relevant laws and regulations, the Company has approved the amendments to some provisions in the "Corporate Governance Code" in the Board Member Meeting held on June 12, 2019.
- V. Communication between the independent directors, internal audit supervisors, and accountants (should include items, methods, and results of communication regarding the company's finance and operation)
- (1) Communication between the independent directors and audit supervisors:
 1. In accordance with the annual audit plan, the audit supervisor performs internal control audit operations on the financial and business conditions, and submits a summary report of the last month's inspections of missing deficiencies and improvements and tracking to the three independent directors for review before the end of the following month, independent directors can also direct case audit reports according to the need of deficiencies

2. The audit supervisor regularly reports the implementation of the newest audit plans to the board, the major items of communication are listed in the form below:

Date	Communication Points	Opinions of opposition or reservation from the board
February 22, 2023	Audit Business Implementation and Deficiency Improvement Tracking Report of December 2022 and January 2023 (summary of internal audit report)	None
April 12, 2023	Audit Business Implementation and Deficiency Improvement Tracking Report of February 2023 (summary of internal audit report)	None
May 09, 2023	Audit Business Implementation and Deficiency Improvement Tracking Report of March 2023 (summary of internal audit report)	None
August 04, 2023	Audit Business Implementation and Deficiency Improvement Tracking Report of April and May 2023 (summary of internal audit report)	None
November 07, 2023	Audit Business Implementation and Deficiency Improvement Tracking Report of June, July, August, and September 2023 (summary of internal audit report)	None
February 02, 2024	Audit Business Implementation and Deficiency Improvement Tracking Report of October, November, December 2023, and January 2024 (summary of internal audit report)	None

(2) The company's board of directors and supervisors (including independent directors) and the CPA have a smooth communication channel. In addition to the communication letter with the governance unit when the annual review plan is completed, the CPA holds a face-to-face seminar after the regular quarterly financial report review (reading) to communicate matters including the significant deficiencies of internal control recognized during the verification process, other communication items required by relevant laws and regulations, and the sharing of the latest laws and regulations.

In 2023, up to the date of publication of the annual report, the main communication issues with the accountants through the forum are excerpted as follows:

Date	Communication Points	Opinions of opposition or reservation from the board
January 16, 2023	1. Reminders and explanations on significant regulations and legislative updates 2. Latest legal and regulations development	Good communication with mutual exchange.
February 22, 2023	1. Audit Business Implementation and Deficiency Improvement Tracking Report of 2022 (summary of internal audit report) 2. Annual financial and operation situation of the company 3. Latest legal and regulations development	Good communication with mutual exchange.
May 09, 2023	1. Audit Business Implementation and Deficiency Improvement Tracking Report of Quarter 1 of 2023 (summary of internal audit report) 2. Quarterly financial and operation situation of the company 3. Latest legal and regulations development	Good communication with mutual exchange.
May 26, 2023	1. Reminders and explanations on significant regulations and legislative updates 2. Latest legal and regulations development	Good communication with mutual exchange.

Date	Communication Points	Opinions of opposition or reservation from the board
August 04, 2023	1. Audit Business Implementation and Deficiency Improvement Tracking Report of Quarter 2 of 2023 (summary of internal audit report) 2. Quarterly financial and operation situation of the company 3. Latest legal and regulations development	Good communication with mutual exchange.
November 07, 2023	1. Audit Business Implementation and Deficiency Improvement Tracking Report of Quarter 3 of 2023 (summary of internal audit report) 2. Quarterly financial and operation situation of the company 3. Latest legal and regulations development	Good communication with mutual exchange.
February 02, 2024	1. Reminders and explanations on significant regulations and legislative updates 2. Latest legal and regulations development	Good communication with mutual exchange.
February 22, 2024	1. Audit Business Implementation and Deficiency Improvement Tracking Report of 2023 (summary of internal audit report) 2. Annual financial and operation situation of the company 3. Latest legal and regulations development	Good communication with mutual exchange.

(II) Operation situation of audit committee or operation situation of supervisors' participating in the board of directors:

1. Operation situation of audit committee: It is stipulated in the Articles of Association that the company shall set the audit committee; the audit committee shall be composed of the whole independent directors, whose number shall be not less than 3, besides, at least 1 person shall have the accounting or financial expertise. The company formally established its first audit committee on June 8, 2020 after the regular shareholders' meeting elected three independent directors; and its second on May 26, 2023 after the regular shareholders' meeting elected four independent directors. With various functional committees in accordance with the Articles of Association, decision-making functions shall be perfected and the management mechanism strengthened.

The purpose of the Audit Committee is to assist the Board of Director in fulfilling its responsibility to oversee the quality and integrity of the Company's execution of relevant accounting, auditing, financial reporting processes, and financial controlling. The Audit Committee of the Company consists of all the independent directors and reviews matters including financial reporting, the effectiveness of internal control system, the appointment, dismissal, compensation, and independence assessment of CPA, and the appointment or dismissal of financial, accounting, or internal auditing supervisors.

2. The operation of Auditing Commission:

The number of audit committee held in 2023 is as follows:

- (1) 4(A) meetings were held by the first audit committee
- (2) 2(A) meetings were held by the second audit committee
- (3) The attendance of independent directors is as follows:

Job Title	Name	Actual attendance time (B)	Entrusted attendance time	Actual attendance ratio (%) (B/A)	Remark
Independent Director	HO MING-ZIH	6	0	100%	First and Second
Independent Director	WEI NAI-CHANG	4	0	100%	First
Independent Director	WU CHUNG-JEN	4	0	100%	First
Independent Director	ZENG XU-WEN	2	0	100%	Second
Independent Director	WANG YONG-ZHANG	2	0	100%	Second
Independent Director	WU LING-LING	2	0	100%	Second

Other Essential Matters:

1. If any of the following circumstances occur in the operation of the audit committee, the date of the audit committee meeting, the session number, the content of the agenda, the opinions of independent directors who opposed, reserved or made significant recommendations, the results of the audit committee's decisions, and the company's response to the audit committee's opinions should be stated.
 - (1) Matters listed in Article 14-5 of the Securities Exchange Law: None.
 - (2) In addition to the previous matters, other matters that have not been approved by the Audit Committee but been approved by more than two-thirds of all directors: None.
2. The implementation of independent directors' avoidance of conflict of interest shall be stated with the name of the independent director, the content of the proposal, the reason for the avoidance of interest, and the voting status: None.
3. The communication between independent directors and internal audit supervisors and external accountants (should include, methods and results of communication on the company's major financial and business conditions, etc.):
 - (1) The internal audit of the Company regularly communicates with the independent directors about the results of audit reports, and if there are special circumstances, they will also report to independent directors in a timely manner. There was no such special situation in the last fiscal year.
 - (2) The Company provides independent directors with the contact information of the external accountants to communicate with each other when necessary. The independent directors can meet and communicate with the accountants at the shareholders meeting or the meeting of the board of directors. Independent directors have met and communicated with accountants at the shareholders meeting and the board of directors in the last fiscal year.
 - (3) Please refer to the description in the previous section for the company's instructions and independent directors and accountants.

(III) Operation situation of corporate governance and situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	Yes	No	Summary documentation	
I. Does the company formulate and discloses the Corporate Governance Best Practice based on “Corporate Governance Best Practice Principles for Listed Companies”?	✓		The company has formulated the “Corporate Governance Codes” according to “Corporate Governance Best Practice Principles for Listed Companies”, including the provisions of guaranteeing the shareholder’s equity, enhancing of functions of the Board, taking advantages of supervisor’s functions, respecting stakeholder’s rights and benefits, and improving information transparency. For more details, please visit the corporate website (www.chieftek.com).	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
II. Corporate equity structure and shareholders’ equity (I) Does the company formulate the internal operation procedure to handle shareholder proposal, doubt, dispute and litigation and implements it in accordance with the procedure?	✓		(I) The company has formulated related internal operation procedures such as the “Corporate Governance Code”, “Integrity Management Code”, “Prevention of Insider Transaction Management Measures” and “Code of Ethical Conduct” to handle the shareholders related matters. There are also spokesperson and agent spokesperson system, and the Chairman’s Office and the Financial Department are in charge of the related matters, so as to guarantee the timely and proper information disclosure. In addition, the special mailbox is set up to handle shareholder’s proposal, doubt, dispute and litigation affairs.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
(II) Does the company master the principal shareholders actually controlling the company and the final controller list of principal shareholders?	✓		(II) The company has stock contractors responsible for handling related matters, and is assisted by a professional stock agency “Fubon Securities Co., Ltd.”, which can master the main shareholders and the final list of main shareholders and maintain good contact with them Relationship, and change situation of stock rights held by insiders including board directors, supervisors, managers and major shareholders holding 10% of shares	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	Yes	No	Summary documentation	
			is declared in MOPS as required by the competent authority in accordance with codes and regulations.	
(III) Does the company establish and executes the risk control and firewall mechanism with the affiliated enterprise?	✓		(III) The company's internal control system covers enterprise-level risk management and operation-level operational activities, and has "Subsidiary Management Measures" to implement the risk control and firewall mechanism for subsidiaries Assets, finance and accounting of the Company and affiliated enterprise are operated independently, and the company formulates "Management on Transactions with Related Parties" handling related matters according to the regulations of the internal control system of the Company, and shall be able to really execute the risk control and firewall mechanism.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
(V) Does the company formulate the internal specification to prohibit the corporate insiders to buy or sell negotiable securities by using the information undisclosed in market?	✓		(VI) The company formulates "Management Method to Prevent Insider Trading", "Ethics Codes" and other internal control methods to standardize all employees, managers, board directors, supervisors and all people knowing about the company information based on occupation or control relation and prohibit any behavior involving insider trading and irregularly makes internal training education and advocacy.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
III. Composition and duties of the board of directors (I) Does the board of directors draft the diversification policy and implements it in terms of the member composition?	✓		(I) The company has a board member diversity policy in the "Corporate Governance Code" 1. The "Corporate Governance Codes" is carried out practically. 2. Currently, all board members are specialists in various fields or personnel experienced in	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	Yes	No	Summary documentation	
			<p>corporate businesses. It shall meet the diversification policy of composition of the Board and implement it in practice.</p> <p>3. As required in Article 20 of the “Corporate Governance Codes”: The Board of the Company shall provide instruction for the corporate strategic, and supervision management level, which shall report to the Company and the shareholder’s meeting. In terms of various operations and arrangements related to corporate governance system, it shall ensure the Board to exercise rights based on the applicable laws, the regulations of the Articles of Association or the resolution of the shareholder’s meeting.</p> <p>As for the structure of the Board, it shall consider the business development scale of the company and the shareholding of the major shareholders, as well as the practical demands of operation, which shall determine the appropriate number of members more than 5.</p> <p>The composition of the Board shall consider diversification. The number of directors concurrently serving as the manager shall not exceed one third of the total number. Moreover, it shall formulate appropriate diversification policies based on the business, operation pattern and development demands, including but not limited to the standards of the following two dimensions:</p> <p>(1) Basic conditions and values: gender, age, nationality, culture, and etc.</p> <p>(2) Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience.</p> <p>The members of the Board shall</p>	

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	Yes	No	Summary documentation	
			<p>acquire the knowledge, skills and character required to exercise the rights. To achieve the ideal goal of corporate governance, the overall Board shall possess the abilities as listed below:</p> <ol style="list-style-type: none"> (1) Operating adjustment. (2) Accounting and financial analysis (3) Business management (4) Crisis handling (5) Industrial knowledge (6) International market view (7) Leadership (8) Decision-making <p>The diversification policies of the board composition are disclosed on the official website of the Company and MOPS.</p> <p>4. According to our company's articles of incorporation, starting from the date that electronic voting is established as one of the channels for exercising voting rights, the election of directors (including independent directors) shall adopt a nomination system, and the candidates shall be elected from the list of nominees by the shareholders' meeting.</p> <p>5. The Company's board members have extensive experience and expertise in the fields of finance, business and management. In addition, the company also pays attention to the gender equality of the members of the board of directors. The female director ratio target is more than 25%.</p> <ol style="list-style-type: none"> (1) The 8th board of directors consists of 8 members, including 5 directors and 3 independent directors, among which the 3 female directors take up 37.5%. (2) The 9th board of directors consists of 9 members, including 5 directors and 4 	

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	Yes	No	Summary documentation	
			independent directors, among which the 3 female directors take up 44.44%. Please refer to the ninth description in this section for relevant implementation situations.	
(II) Does the company voluntarily set other functional committees apart from the Remuneration committee and Audit Committee?	✓		(II) In order to improve the decision-making function and strengthen the management mechanism, the company has set up various functional committees in the charter, and the organizational rules of each committee are determined by the board meeting. In addition to the establishment of a remuneration committee in accordance with the law and an audit committee after the 2020 regular shareholders meeting, the company will also set up other functional committees at an appropriate time.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
(III) Does the company formulate the performance evaluation method and evaluation way of the board of directors, and regularly carries out performance evaluation each year?	✓		(III) In order to implement corporate governance and enhance the functions of the company's board of directors, establish performance targets to enhance the efficiency of the board's operation, the company discussed and adopted the "Board Performance Evaluation Method" after discussion by the board of directors on February 9, 2018. 1. 2023 performance evaluation method adopts questionnaire self-evaluation method to conduct overall internal evaluation of the board of directors and self-evaluation of individual directors: (1) The measurement items of the board performance evaluation include: participation in the company's operations, improving the quality of the board's decision-making, composition and structure of the board,	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)		Summary documentation	Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	Yes	No		
			<p>selection and continuous training of directors, and internal control.</p> <p>(2) The measurement items of the director members' self-performance evaluation include: mastering the company's goals and tasks, director's responsibilities, participation in the company's operations, internal relationship management and communication, professional and continuous training of directors and internal control.</p> <p>2. Internal evaluation steps: In the first stage of internal board performance evaluation, individual directors self-assessed by questionnaire, and then submitted to the chairman for the second stage evaluation and overall board self-evaluation.</p> <p>3. 2023 Internal board performance self-assessment results:</p> <p>(1) Comprehensive comments on overall board performance evaluation: The overall operation of the board of directors is mostly in line with the spirit of corporate governance.</p> <p>(2) Self-assessment score results of directors: The self-assessment results of the director's questionnaire are between "agree" and "very agree". The average result is nearly full marks, which shows that the board is functioning well and will</p>	

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	Yes	No	Summary documentation	
			<p>continue to strengthen the effectiveness of the board</p> <p>(3) Application of evaluation results: According to the company's "Board Self-assessment or Peer Evaluation Operation Method", the company will use the performance evaluation results of the board of directors as the reference basis for selecting or nominating directors; and the performance evaluation results of individual directors are used as the reference basis for determining their individual salary and remuneration.</p> <p>In the future, the performance evaluation of the internal board of directors should be performed at least once a year, and an external professional independent institution or a team of external experts and scholars should perform the performance evaluation once every three years.</p>	
(IV) Does the company regularly evaluate the independence of certified public accountant?	✓		<p>(IV) The company's accounting department assesses the independence of CPAs regularly on a yearly basis, and reports the evaluation results to the board of directors after obtaining the CPAs' "transcendental independence statement." (In 2023, CPA was changed twice in line with PwC Taiwan's internal adjustment on administrative organization.) Only after the company confirms that the accountant and the company have no other financial interests and business relationships except for</p>	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies												
	Yes	No	Summary documentation													
			<p>certification and taxation expenses, and members of the accountant family do not violate the independence requirements, the accountant's appointment will be reviewed.</p> <ol style="list-style-type: none"> To regulate the review of CPA appointment of the Company and build good corporate governance system, Article 29 of the "Corporate Governance Codes" of the Company shall be based to evaluate the independence of CPA and handle, enhance and promote financial report quality. In line with the internal adjustment on administrative organization of PwC Taiwan, the Company proceeds with the review and evaluation on independence elements, independence operation, and competence on related to CPA LIN YONG-ZHI, CPA YEH FANG-TING and CPA YEH FANG-TING, CPA TIEN ZHONG-YU. All CPAs are appointed upon the resolution by the Board on August 4, 2023 and February 2, 2024. The CPA review and evaluation content are listed as below: <table border="1"> <thead> <tr> <th colspan="2">I. Review of independence elements</th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>01</td> <td>The CPA, or the spouse or a minor child thereof, has not invested in the Company, or shares in financial gains therewith.</td> <td>✓</td> <td></td> </tr> <tr> <td>02</td> <td>The CPA, or the spouse or a minor child thereof, has not lent or borrowed funds to or from the Company. However, this does not apply if the client is a</td> <td>✓</td> <td></td> </tr> </tbody> </table>	I. Review of independence elements		Yes	No	01	The CPA, or the spouse or a minor child thereof, has not invested in the Company, or shares in financial gains therewith.	✓		02	The CPA, or the spouse or a minor child thereof, has not lent or borrowed funds to or from the Company. However, this does not apply if the client is a	✓		
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IV. Does the publicly listed company set up special (concurrent) unit or personnel responsible for the corporate governance related affairs (including not limited to providing the data required by the directors and supervisors to implement business, dealing with the matters related to the board meeting and shareholders' meeting, handling the corporate registration and change registration, making minutes of board meeting and shareholders' meeting)?	✓		<p>On March 23, 2017, the board of directors discussed and approved the use of the Ministry of Finance as a full-time (part-time) unit for corporate governance. On May 2, 2019, the board of directors discussed and approved that CFO LI, PAI-TSANG is the director of corporate governance, responsible for corporate governance-related matters, while cooperating with the chairman's office and various departments provide necessary assistance to protect shareholders' rights and strengthen the functions of the board of directors. Chief Financial Officer LI, PAI-TSANG has more than three years of experience in the management of legal affairs and other public offering companies. The main responsibility of corporate governance personnel is to provide directors and supervisors with information required to execute business, assist directors and supervisors to comply with laws and regulations, and handle matters related to board of directors and shareholders' meetings in</p>	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies								

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			<p>accordance with law.</p> <p>The business performance in 2023 is as follows:</p> <ol style="list-style-type: none"> 1. Assist independent directors and general directors to perform their duties, provide necessary information and arrange directors' further training: <ol style="list-style-type: none"> (1) Regularly notify the members of the board of directors regarding the revision and development of the latest laws and regulations related to the company's business field and corporate governance. (2) Review the level of relevant information confidentiality and provide company information required by directors to maintain smooth communication and communication between directors and business executives. (3) In accordance with the Corporate Governance Code of Conduct, independent directors meet with internal audit supervisors or visa accountants individually to understand the company's financial business needs and assist in arranging related meetings. (4) Assist independent directors and general directors in formulating annual refresher plans and arranging courses in accordance with the company's industrial characteristics, directors' academic and experience background. 2. Assist the board of directors and shareholders in meeting procedures and resolution compliance matters: <ol style="list-style-type: none"> (1) Report to the board of directors, independent directors, and supervisors on the company's corporate governance operations and confirm whether the company's shareholders' meeting and directors' meeting comply with relevant laws and 	

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			<p>corporate governance codes.</p> <p>(2) Assist and remind the directors of the laws and regulations that should be observed when performing business or making a formal resolution of the board of directors, and make suggestions when the board of directors will make a illegal resolution.</p> <p>(3) After the meeting, it is responsible for reviewing the important information release matters of important resolutions of the board of directors, ensuring the legality and correctness of the content of the important information, so as to protect the investor's transaction information equivalence.</p> <p>3. Maintain investor relations: Arrange exchanges and communication between directors and major shareholders, institutional investors or general shareholders as necessary, so that investors can obtain sufficient information to evaluate and determine the reasonable capital market value of the enterprise, and protect shareholders' rights and interests.</p> <p>4. To draw up the agenda of the board of directors, notify the directors seven days ago, convene the meeting and provide meeting materials, and give advance reminders if the topic needs to be avoided, and complete the minutes of the board meeting within seven days after the meeting.</p> <p>5. Handle pre-registration of shareholders' meeting date in accordance with the law, prepare meeting notices, discussion manuals, and minutes of proceedings within the statutory time limit, and handle changes in registration by revising the articles of association or re-election of directors</p> <p>6. In order to implement corporate governance, regularly conduct the performance evaluation of directors and the overall board of directors.</p>	

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			7. Added "Operating Procedures for Dealing with Directors' Requests"	
V. Does the Company establish the communication channel with the interested parties (including but not limited to the shareholders, employees, customers and suppliers), sets the interested party zone on the corporate website, and properly responds the corporate social responsibility issues concerned by the interested parties?	✓		<p>The company establishes a spokesperson, agent spokesperson and investor relations liaison in accordance with the law, and sets up a stakeholder area on the company's website to expose the channel information and contact information of complaints other than investors and properly respond to the concerns of stakeholders CSR issues.</p> <p>The company's operations on issues of concern to stakeholders:</p> <ol style="list-style-type: none"> 1. Creditors: In addition to regularly providing sufficient financial information to the correspondent banks, and having someone in charge of communication and communication, the company's operating and financial status will be fully and transparently disclosed. 2. Customers: Frequent interactions with customers, in addition to regular visits by dedicated business leaders, and dedicated lines and the Internet to establish a customer relationship management system. 3. Supplier: Committed to maintaining a harmonious relationship with third-party manufacturers, and achieving mutual benefit in the process of mutual learning and growth 4. Investors: The company immediately publishes the information on the public information observatory and the company's website, and has a spokesperson and agent spokesperson mechanism. Investors who still feel insufficient about the information provided by the company or need more detailed understanding can use the dedicated line or e-mail contact. 5. Government: Follow the laws and regulations, continue to operate, and actively give back to the society. 	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

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			6. Employees: The company maintains close relations with employees through communication channels such as labor-management meetings and grievance systems. Through good corporate culture, retain outstanding talents and work hard with employees.	
VI. Does the company entrust the professional stock service agent to handle the affairs of shareholder meeting?	✓		The company has entrusted the professional service agent- Fubon Securities Co., Ltd to handle the shareholders' meeting affairs and various share affairs of the company.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
VII. Information disclosure				
(I) Does the company set up the website, discloses the financial business and corporate governance information?	✓		(I) The company has set website (www.chieftek.com) to introduce the company, related financial business and corporate governance information.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
(II) Does the company implement other forms of information disclosure (for instance, setting English website, assigning special person to take charge of collection and disclosure of corporate information, implementing spokesperson system, placing the corporate explanation meeting on the corporate website)?	✓		(II) The company's website has Chinese, English, and Japanese pages, as well as a spokesperson, agent spokesperson, and investor relations liaison, and a person is assigned to collect information about the company's finances, business, and corporate governance. It is detailed, correct, and timely Disclosure of the company's operating performance, operating conditions and major information, and the spokesperson and acting spokesperson will make a unified external statement and expose the information on the company's website for the convenience of inquiries	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
(III) Does the Company publish and release its annual financial report within two months since the end of fiscal year and announce and submit its financial reports of the first three quarters of the year and the review of	✓		(III) The company has announced and filed its financial report for the fiscal year 2022 on February 22, 2023, which is only two days later than the requirement of announcing and filing the annual financial report within two months after the end of the fiscal year. The company will strive to improve and meet the target deadline in the future. In	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
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operation in each month?			addition, the financial reports for the first, second, and third quarters of 2023 and the monthly operating conditions have been announced and filed early within the prescribed period. The financial report for the fiscal year 2023 has also been announced and filed on February 26, 2024.	
VIII. Does the company has other important information to help understand the corporate governance operation situation (including but not limited to rights and interests of employees, employee caring, investor relations, supplier relationship, right of interested party, study situation of board directors and supervisors, execution situation of risk management policy and risk measurement standard, execution situation of customer policy, situation of liability insurance purchased by the company for board directors and supervisors)?	✓		<p>(I) Rights and interests of employees: with the establishment of healthy and safe work environment as the duty, the company abides by the corporate social responsibility policy and environmental and occupational health and safety regulations, implements emission reduction and energy saving, guarantees employee benefit and operation safety, and safeguards legitimate interest of employees according to the Labor Standard Law.</p> <p>(II) Employee caring: Measures like tidying work environment, guaranteeing personal safety, regularly implementing employees' health examination, arranging consultation of occupational physician are adopted, besides, employee life is enriched by welfare system and excellent educational training system, finally establishing a good relation with mutual trust and interdependence.</p> <p>(III) Investor relations: The company honestly discloses the company information according to the related regulations to ensure basic rights and interests of investors, fulfills its duty to shareholders, handles the suggestions of shareholders through the company spokesperson and agent spokesperson, sets "investors zone" on the company website to help investors understand the financial and business situation of</p>	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
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			<p>the company, replies the questions of shareholders in detail, increases the communication with investors of professional institutes and promotes transparency of the company operation.</p> <p>(IV) Supplier relationships: The company exchanges experience with suppliers concerning environment, health, safety, enterprise social responsibility and other related issues, and maintain a smooth communication channel and good relationship with suppliers.</p> <p>(V) Rights of interested parties: The company discloses the company financial and business information according to regulations besides, correspondent banks, creditors, employees, shareholders and other interested parties may understand the company operation situation through the company spokesperson and agent spokesperson. Moreover, it sets the “interested party zone” on the official website to disclose the channel and contact information for complaints made by others rather than the investors, and properly responds the enterprise social responsibility issues concerned by the interested parties.</p> <p>(VI) Study situation of board directors and supervisors: To implement the corporate governance system, the company actively notices board directors and supervisors of corporate governance information and study message, besides, the 6th session of board directors and supervisors have studied in accordance with “Practicable Main Points for Board Directors and Supervisors of Listed Companies”; please see the following table for detail.</p> <p>(VII) Execution situation of risk management policy and risk</p>	

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
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			<p>measurement standard:</p> <p>(1) The company's major operational policies, investment cases, acquisition or disposal of assets, endorsement guarantees, capital loans and other matters are evaluated and analyzed by the relevant authority and can only be implemented after the resolution of the board of directors is passed.</p> <p>(2) The Audit Office draws up and implements an annual audit plan based on the results of the risk assessment, and implements the supervision mechanism and controls various risks.</p> <p>(VIII) Execution situation of customer policy: The company maintains a stable and good relation with clients, attaches great importance to the customer satisfaction and takes the promotion of client value and competitive power as target. Apart from mastering and checking the delivery situation at any time and conducting real-time improvement, the company also regularly conducts the satisfaction survey for clients, striving to become the long-term partner of clients' career and creating a win-win result.</p> <p>(IX) The company purchased liability insurance for directors and supervisors: The company has purchased liability insurance for directors, supervisors and managers, and submitted a report of the board of directors on November 7, 2023.</p>	

6 Schedule

The directors, supervisors and managers of the company participated in the training in 2023, and all the directors and supervisors have obtained the 6-hour training certificate. The training situation is as follows:

Job Title	Name Sponsor	Sponsor	Refresher course	Study hours
Board Director	CHEN LI-FEN	Taiwan Corporate Governance	Risks and Opportunities of Climate Change and Net Zero Emission for Business Operation	3

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	Yes	No	Summary documentation	
		Association	Carbon Emission and Carbon Credit Trading Mechanism	3
Board Director	HSU MING-CHE	Taiwan Corporate Governance Association	Risks and Opportunities of Climate Change and Net Zero Emission for Business Operation	3
			Carbon Emission and Carbon Credit Trading Mechanism	3
Board Director	LI AN	Taiwan Corporate Governance Association	Risks and Opportunities of Climate Change and Net Zero Emission for Business Operation	3
			Carbon Emission and Carbon Credit Trading Mechanism	3
Board Director	WANG CHEN PI-HSIA	Taiwan Corporate Governance Association	Risks and Opportunities of Climate Change and Net Zero Emission for Business Operation	3
			Carbon Emission and Carbon Credit Trading Mechanism	3
Board Director	CHEN JIA-HAO	Taiwan Corporate Governance Association	Risks and Opportunities of Climate Change and Net Zero Emission for Business Operation	3
			Carbon Emission and Carbon Credit Trading Mechanism	3
		Taipei Foundation of Finance	Corporate Governance and ESG Workshop - Carbon Reduction	6
Independent Director	HO MING-ZIH	Taiwan Corporate Governance Association	Risks and Opportunities of Climate Change and Net Zero Emission for Business Operation	3
			Carbon Emission and Carbon Credit Trading Mechanism	3
Independent Director	ZENG XU-WEN	Taiwan Corporate Governance Association	Risks and Opportunities of Climate Change and Net Zero Emission for Business Operation	3
			Carbon Emission and Carbon Credit Trading Mechanism	3
		Taipei Foundation of Finance	The Big Bang of AI: Development, Application, and Business Opportunity of ChatGPT	3
		Taiwan Academy of Banking and Finance	Corporate Governance Forum No. 44	3
Independent Director	WU LING-LING	Taiwan Corporate Governance Association	Risks and Opportunities of Climate Change and Net Zero Emission for Business Operation	3
			Carbon Emission and Carbon Credit Trading Mechanism	3
		Securities and Future Institute	Listed Company-Insight on Derivative Financial Market and A Step Forward to Corporate Sustainability Seminar	3
		Taiwan Academy of Banking and Finance	Corporate Governance Forum No. 44	3
Independent Director	WANG	Taiwan Corporate Governance	Risks and Opportunities of Climate Change and Net Zero Emission for Business Operation	3

Item evaluated		Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
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	YONG-ZHANG	Association		Carbon Emission and Carbon Credit Trading Mechanism	
		Accounting Research and Development Foundation		2023 Financial Transition and Sustainability Seminar	3
		Securities and Future Institute		Practices on Sustainable Development Seminar	3
Chief Financial Officer	LI PAI-TSANG	National Cheng Kung University		Accounting Seminar	3
				Corporate Governance Seminar	3
				Professional Ethics and Responsibility Seminar	3
				Financing Seminar	3
Audit Manager	LIN SHU-SING	Taiwan Corporate Governance Association		Risks and Opportunities of Climate Change and Net Zero Emission for Business Operation	3
				Carbon Emission and Carbon Credit Trading Mechanism	3
		Taiwan Internal Auditing Association		Subsidiary Company Audit Practice	6
				Circular Production Practice and Highlights of Audit	6
Chief Officer in Corporate Governance	LI PAI-TSANG	Taiwan Corporate Governance Association		Risks and Opportunities of Climate Change and Net Zero Emission for Business Operation	3
				Carbon Emission and Carbon Credit Trading Mechanism	3
		Taiwan Academy of Banking and Finance		Corporate Governance Forum No. 32	3
				Corporate Governance Forum No. 44	3
		Securities and Future Institute		Practices on Sustainable Development Seminar	3

IX. Detail the improvement based on the corporate governance assessment result announced by the TWSE Corporate Governance Center in the latest year; propose the urgent matters and actions for the items not improved:

The Taiwan Stock Exchange Co., Ltd. Corporate Governance Center's third corporate governance evaluation results were specially awarded with the "Progress Award" for encouragement, and were ranked in the fourth, fifth and sixth corporate governance evaluation results. The distances are in the range of 6% to 20%. It can be seen that the company continues to work hard in the field of corporate governance, not only receiving the affirmation of the evaluation system, but also not receiving the items or measures that should be improved or should be prioritized.

In addition, the company switched the trading market to the Taiwan Stock Exchange on December 23, 2020. The ranking of listed companies in the 8th Corporate Governance Evaluation is 21%~35%. The company has begun to study the improvement or priority enhancement items and measures for the evaluation indicators that have not been scored in the 8th Corporate Governance Evaluation as follows:

Unscored evaluation index	Improved or prioritized enhancements and measures
Does the company have at least two independent directors whose consecutive tenure does not exceed three terms?	Improved. Re-election was held at the Shareholders' Meeting on May 26, 2023.
Has the company formulated an intellectual property management plan that is linked to its operational goals and disclosed its execution status on the company website or annual report, and reported to the board of directors at least once a	Improving

Item evaluated	Operation situation (Note)			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	Yes	No	Summary documentation	
year? [If the company obtains verification from the Taiwan Intellectual Property Management System (TIPS), ISO56005, or a similar intellectual property management system and validation or audit from a third party, one additional point will be awarded.]				
Does the company have at least one internal auditor with a license of Certified International Auditor, Certified Information System Auditor, or Certified Public Accountant?				Internal auditors have commenced training and preparation for exams.
Does the company publish annual financial reports within two months after the end of the accounting year?				Improved
Does the company disclose interim financial reports in English within two months after the Chinese version reporting deadline?				Improved

(IV) If the Remuneration Committee is established, the Company must disclose its composition, duties and operation situation:

To perfect the corporate governance, enhance the remuneration management function of the board of directors, assist in executing and evaluating the remuneration of the company board directors and managers, the company set the Remuneration committee through the resolution of the board resolution on December 22, 2011, and passed the organizational rules of the Remuneration Committee. Composition, duties and operation situation of the Committee are and follows

1. Information of Members of the Remuneration Committee (4th term)

March 31, 2024

Identity	Conditions Name	Professional qualifications and work experience	Independence situation	Number of independent directors concurrently occupied in other public offering companies
Independent Director	HO, MING-ZIH	Doctor of Electrical Engineering, Texas A&M University Researcher of Research headquarters, Ritek Corporation Assistant Professor of Engineering, National Cheng Kung University Associate Professor of Engineering, National Cheng Kung University	An independent director and meets the conditions of independence, including but not limited to himself, his spouse, relatives within the second degree of kinship. Not serving as a director, supervisor or employee of the Company or its affiliated companies; not holding shares of the Company; Not acting as a director, supervisor or employee of a specific affiliated company; not recipient of the amount of remuneration obtained from providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years.	0
Independent Director	WEI, NAI-CHANG	Audit Team Leader of PwC Taiwan Accounting Officer of Foresight Energy Technologies Development Co., Ltd, Accountant and Administration Manager of Taiwan Intervet Animal Drug Co., Ltd CFO of Ambit Microsystems, Vice-General Manager of Clevo Co. Management Center	An independent director and meets the conditions of independence, including but not limited to himself, his spouse, relatives within the second degree of kinship. Not serving as a director, supervisor or employee of the Company or its affiliated companies; not holding shares of the Company; Not acting as a director, supervisor or employee of a specific affiliated company; not recipient of the amount of remuneration obtained from providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years.	0

Independent Director	WU, CHUNG-JEN	<p>Doctor of Chemical Engineering of National Cheng Kung University Researcher of Industrial Technology Research Institute Union Chemical Laboratories Project Manager of National Cheng-Kung University Business Incubation Center Vice Director of Technology Transfer & Business Incubation Center of National Cheng Kung University, Executive Manager of Incubator Center of Southern Taiwan Science Park Division Head of Legal & Intellectual Property General Division, ChungHwa Picture Tubes, LTD. Chairman of SUPLA Co., Ltd. Chairman of SUPLA Bioplastics Co., Ltd.</p>	<p>An independent director and meets the conditions of independence, including but not limited to himself, his spouse, relatives within the second degree of kinship. Not serving as a director, supervisor or employee of the Company or its affiliated companies; not holding shares of the Company; Not acting as a director, supervisor or employee of a specific affiliated company; not recipient of the amount of remuneration obtained from providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years.</p>	0
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2. Information of Members of the Remuneration Committee (5th term)

Identity	Conditions Name	Professional qualifications and work experience	Independence situation	Number of independent directors concurrently occupied in other public offering companies
Independent Director	HO, MING-ZIH	<p>Doctor of Electrical Engineering, Texas A&M University Researcher of Research headquarters, Ritek Corporation Assistant Professor and Associate Professor of Engineering, National Cheng Kung University</p>	<p>An independent director and meets the conditions of independence, including but not limited to himself, his spouse, relatives within the second degree of kinship. Not serving as a director, supervisor or employee of the Company or its affiliated companies; not holding shares of the Company; Not acting as a director, supervisor or employee of a specific affiliated company; not recipient of the amount of remuneration obtained from providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years.</p>	0

Independent Director	WANG YONG-ZHANG	<p>Director of Chieftek Precision Co., Ltd (March 17, 2011 - June 16, 2014), Master of Electrical and Computer Engineering of Princeton University, Vice President of Great King Electronics Co., Ltd., Vice President of Acer Incorporated, Vice President of Hong Hai Precision Ind., Co., Ltd., Hsinchu Science Park Branch, Vice President of Antuo Technology Co., Ltd., CEO of Guangquan Technology Co., Ltd., General Manager of DSG Technology Inc, General Manager Assistant of Chimei Corporation</p>	<p>An independent director and meets the conditions of independence, including but not limited to himself, his spouse, relatives within the second degree of kinship. Not serving as a director, supervisor or employee of the Company or its affiliated companies; The individual holds 177,943 shares of the company, representing a 0.20% ownership; Not acting as a director, supervisor or employee of a specific affiliated company; not recipient of the amount of remuneration obtained from providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years.</p>	0
Independent Director	WU LING-LING	<p>Master of Special Education of University of Southern California, Supervisor of Chieftek Precision Co., Ltd (November 12, 2010 - June 20, 2012)</p>	<p>An independent director and meets the conditions of independence, including but not limited to himself, his spouse, relatives within the second degree of kinship. Not serving as a director, supervisor or employee of the Company or its affiliated companies; The individual holds 37,747 shares of the company, representing a 0.04% ownership; Not acting as a director, supervisor or employee of a specific affiliated company; not recipient of the amount of remuneration obtained from providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years.</p>	0
Independent Director	ZENG XU-WEN	<p>Bachelor of Business Administration of National Cheng Kung University, Planning Supervisor of General Manager's Office of TECO Electric & Machinery Co., Ltd, Supervisor of Chieftek Precision Co., Ltd (June 17, 2011 - June 21, 2020)</p>	<p>An independent director and meets the conditions of independence, including but not limited to himself, his spouse, relatives within the second degree of kinship. Not serving as a director, supervisor or employee of the Company or its affiliated companies; The individual holds 93,150 shares of the company, representing a 0.10% ownership; Not acting as a director, supervisor or employee of a specific affiliated company; not recipient of the amount of remuneration obtained from providing business, legal, financial, accounting and other services to the company or its affiliated companies in the last 2 years.</p>	0

3. Information of operation situation of the Remuneration Committee

(1) Remuneration Committee of the company includes 3 members, who are all independent directors.

(2) Tenure of this term of members:

A. The fourth term runs from August 5, 2020 to May 25, 2023. In the most recent fiscal year, 2 meetings(A) were held by the Remuneration Committee. Qualifications and attendance situation of the committee members are as follows:

Job Title	Name	Actual attendance time (B)	Entrusted attendance time	Actual attendance ratio (%) (B/A) (Note)	Remark
Convener	WEI NAI-CHANG	2	0	100.00%	
Committee	HO MING-ZIH	2	0	100.00%	
Committee	WU CHUNG-JEN	2	0	100.00%	

Other matters that require reporting:

1. Circumstances in which the Board of Directors does not accept or amend the recommendation of the Remuneration Committee in the most recent fiscal year: None.
2. Circumstances in which members have objection, reservation, records, or written statements towards the resolutions of the Remuneration Committee in the most recent fiscal year: None.

B. The fifth term runs from May 25, 2023 to May 25, 2026. In the most recent fiscal year, 1 meeting(A) was held by the Remuneration Committee. Qualifications and attendance situation of the committee members are as follows:

Job Title	Name	Actual attendance time (B)	Entrusted attendance time	Actual attendance ratio (%) (B/A) (Note)	Remark
Convener	HO MING-ZIH	1	0	100.00%	
Committee	WANG YONG-ZHANG	1	0	100.00%	
Committee	WU LING-LING	1	0	100.00%	
Committee	ZENG XU-WEN	1	0	100.00%	

Other matters that require reporting:

1. Circumstances in which the Board of Directors does not accept or amend the recommendation of the Remuneration Committee in the most recent fiscal year: None.
2. Circumstances in which members have objection, reservation, records, or written statements towards the resolutions of the Remuneration Committee in the most recent fiscal year: None.

(3) Responsibilities of the Remuneration Committee

The function of the Remuneration Committee of the Company is to evaluate the remuneration policies and systems of the Company's directors, supervisors and managers from a professional and objective position. The Remuneration Committee shall hold at least two meetings a year and shall convene meetings when deemed necessary. The Remuneration Committee also makes recommendations for the board of directors to reference in decision-making.

From a professional and objective perspective, the Compensation and Remuneration Committee faithfully performs the following duties:

- (1) To formulate proposals for remuneration of directors, supervisors and managers, as well as regular evaluation reports.
- (2) To formulate and regularly review the performance evaluations of directors, supervisors and managers.

(3) To formulate and regularly review the company's salary and remuneration policies, systems, standards and structures.

(4) Other matters to be discussed by the board of directors.

When the Compensation and Remuneration Committee performs its duties, it shall follow the following standards:

(1) Salary management should be in line with the company's philosophy on salaries.

(2) The performance evaluation and remuneration of directors, supervisors and managers shall refer to the usual level of payment in the industry, and consider the rationality of the relationship between individual performance and the company's operating performance and future risks.

(3) Directors and managers should not be led to engage in behaviors that exceed the risks of the company in the pursuit of remuneration.

(4) The proportion of short-term performance bonuses for directors and senior managers and the timing of payment of certain variable salaries should be determined in consideration of industry characteristics and the nature of the company's business.

(5) Contents of the resolutions of the 2023 1st and 2nd meetings of the fourth Remuneration Committee and the 1st meeting of the fifth Remuneration Committee are as follows:

1 st Meeting of 2023-January 16, 2023			
Number	Case	Resolution	Implementation/Company's handling of the Remuneration Committee
1	2022 Year-End Bonus Distribution for Managers	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
2	2022 Review on Remuneration and Relevant Regulations for Managers	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
3	Amendment of Remuneration Regulations and Review on Remuneration Adjustment for Managers	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
4	2022 Remuneration for Directors, Supervisors, and Employees	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
2 nd Meeting of 2023-May 9, 2023			
Number	Case	Resolution	Implementation/Company's handling of the Remuneration Committee
1	2022 Managers Allotment of Remuneration for Employees	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
2	2022 Remuneration Allotment for Directors and Supervisors	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.

3	Distribution Updates on Company Vehicles	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
1 st Meeting of 2023 by the fifth term-August 4, 2023			
Number	Case	Resolution	Implementation/Company's handling of the Remuneration Committee
1	Bonus for Employees Stock and Trust Ownership and for Managers Participating in Employees Stock and Trust Ownership	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
1 st Meeting of 2024-February 2, 2024			
Number	Case	Resolution	Implementation/Company's handling of the Remuneration Committee
1	2023 Year-End Bonus Distribution for Managers	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
2	2023 Review on Remuneration and Relevant Regulations for Managers	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.
3	2023 Remuneration for Directors, Supervisors, and Employees	The committee members present unanimously passed after discussions	According to the implementation of the resolution, the proposed board of directors shall be approved by all the directors present.

4. If the company has set up a nomination committee, it should disclose its composition, responsibilities and operations: the company has not set up a nomination committee, so it is not applicable.

(IV) The implementation of the promotion of sustainable development and the differences and reasons from the code of practice for sustainable development of listed and OTC companies:

Item Promoted	Implementation situation (note 1)			Differences and reasons from the “Code of Practice for Sustainability of Listed Companies”			
	Yes	No	Abstract Statement				
(I) Does the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the board of directors to handle senior management, and supervised by the board of directors?	✓		The company designates the chairman’s office as a part-time unit, and the board of directors supervises the promotion of sustainable development, integrates sustainable development into the company’s business strategy, and implements sustainable development in a purposeful, systematic and organized manner; please note 1 for details.	Comply with the Code of Practice for the Sustainable Development of Listed and OTC Companies.			
(II) Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company’s operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	✓		<p>1. The company has developed the Code of Conduct of Enterprise Social Responsibility and Enterprise Social Responsibility Policy based on the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprise, which were approved by the board of directors in May 9, 2014 through discussion after submission. Moreover, the amendments of the Code of Conduct of Enterprise Social Responsibility and Enterprise Social Responsibility Policy was passed in the board meeting held on January 20, 2017. On February 22, 2023, the board of directors discussed and approved the amendment of the "Corporate Social Responsibility Practice Guidelines" to "Sustainable Development Practice Guidelines". The implementation results will be reported to the board of directors at least once a year, such as the presentation of the implementation results for 2023 to the board of directors on February 2, 2024.</p> <p>2. The company conducts operation related risk assessment on environmental, social and corporate governance issues in accordance with the corporate social responsibilities materiality principle, and stipulate relevant risk management policies or strategies as follows:</p> <table border="1" data-bbox="737 1865 1278 1993"> <tr> <td>Major Issues</td> <td>Risk Assessment Item</td> <td>Risk Management Policies or Strategies</td> </tr> </table>	Major Issues	Risk Assessment Item	Risk Management Policies or Strategies	Comply with the Code of Practice for the Sustainable Development of Listed and OTC Companies.
Major Issues	Risk Assessment Item	Risk Management Policies or Strategies					

		Environmental	Environmental Protection	<p>1. The company passed the ISO14001: 2015 version of the environmental management system. Its system calculates whether the internal and external issues and environmental risks of the company's environment are in compliance with China's regulations, international laws and ISO spirit.</p> <p>2. The company's environmental security policy is as follows:</p> <ul style="list-style-type: none"> (1) It is necessary to provide a high-quality and maintain a healthy physical and mental working environment to achieve the goal of zero disasters and accidents. (2) To protect the environment, maintain natural ecology, save energy and reduce waste. (3) To comply with laws and regulations, implement risk management, prevent pollution, and implement 6S activities. (4) Environmental protection and safety are uninterrupted activities for all employees. <p>3. Every year, environmental management goals and plans are set, and the progress of each goal is tracked and reviewed regularly to ensure that the goals are achieved.</p> <p>4 Energy-saving and carbon reduction measures: Energy-saving: From 2015 to 2023, the company has achieved a 1.88% reduction in energy consumption, which is higher than the Energy Bureau's standard of 1% per year. Carbon reduction: In 2023, the company reduced carbon emissions by 140,865 kg.</p>	
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			Social	Occupational Safety	<p>The company has obtained OHSAS18001: 2018 Occupational Health and Safety Management System Certification, and its system is designed to carry out various industrial safety inspections and nuclear inspections of the company, and at the same time use SGS third verifier to check and further implement the occupational safety and health management system; Fire drills and industrial safety education and training and various industrial safety measures are held regularly every year to cultivate employees' emergency response and self-safety and sanitation management capabilities and to improve good and healthy workplaces.</p>	
				Product Safety	<p>1. The company upholds a professional and innovative attitude, improves product efficiency and an honest and honest attitude to serve customers, and expects to provide customers with satisfactory products and services. Therefore, the company formulates standard customer complaint procedures, properly judges the responsibility to resolve the problem, and sets preventive measures to prevent similar problems from occurring, and regularly investigates and</p>	

					<p>tracks customer satisfaction to understand customer needs and problems, and the results of the investigation will be used as research improvements Basis of strategy.</p> <p>2. The company's products are mechanical components, and there are relevant international standards. The company follows the relevant laws and international standards and implements the process and raw material management.</p> <p>3. The company's products comply with China's laws and regulations and EU RoHS and REACH regulations, and do not contain harmful environmental substances. If customer needs, also provide customer RoHS, REACH inspection report.</p>	
<p>(III) Develop sustainable environment (I) Does the company establish applicable environmental management system based on its industrial characteristics?</p>	<p>✓</p>		<p>Corporate Governance</p>	<p>Socio economic and legal compliance</p>	<p>In order to ensure that the company's owners comply with the laws and regulations, the company's goals are established through the establishment of a governance organization audit process and standard operation procedures (SOP).</p>	<p>Comply with the Code of Practice for the Sustainable Development of Listed and OTC Companies.</p>

			4. In August 2020, the Company passed ISO 45001:2018 version occupational safety and health management system and version renewal of CSN 45001:2018 Taiwan occupational safety and health management system.										
(II) Is the company dedicated to improving utilization efficiency of various resources and making use of renewable materials with low environmental load impact?	✓		(II) The company is committed to improving the efficiency of the use of various resources, such as: <ol style="list-style-type: none"> 1. Recycling pallets, wooden boxes, etc. are used for shipping packaging or inventory management. 2. Perform garbage resource classification and recycling, set up rainwater recycling system and on-site process water recycling, which can not only reduce costs but also reduce environmental impact and impact. 3. Improve the efficiency of resource use and e-standardize documents. 4. The company will invest too much in the second phase of the plant in Shugu in 2022 Solar power generation system 999.81KWp, the investment amount is 48,590 thousand yuan, invest in solar power generation system, mainly to protect land Globalization, sustainable development, energy conservation and carbon reduction, and clean energy are the core values and vision. 5. Fully turn off the lights during breaks to reduce power consumption. 	Comply with the Code of Practice for the Sustainable Development of Listed and OTC Companies.									
(III) Does the company assess the present and future risks and opportunities climate change poses on the company?	✓		(III) With the increasingly severe environmental damage caused by global climate change, Taiwan has faced severe typhoons, flood threats and lack of water, energy and other resources in recent years. In order to effectively grasp the development trend of climate change issues, conduct climate change management and assessment, through climate risk issues, to mitigate the impact of climate change and reduce the harm to the environment. <table border="1" data-bbox="735 1688 1286 2101"> <thead> <tr> <th colspan="2">Climate Change Risk Interval</th> <th rowspan="2">Countermeasures and Results</th> </tr> <tr> <th>Category</th> <th>Item</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Codes and Regulations</td> <td>1. Greenhouse gas inventory investigation and declaration</td> <td rowspan="2">1. Total control and emissionsThe Southern Science and Industry Park Administration of the Ministry of Science and Technology investigates companies' greenhouse gas emissions 2. In accordance with the</td> </tr> <tr> <td>2. Total Emission Control</td> </tr> </tbody> </table>	Climate Change Risk Interval		Countermeasures and Results	Category	Item	Codes and Regulations	1. Greenhouse gas inventory investigation and declaration	1. Total control and emissionsThe Southern Science and Industry Park Administration of the Ministry of Science and Technology investigates companies' greenhouse gas emissions 2. In accordance with the	2. Total Emission Control	Comply with the Code of Practice for the Sustainable Development of Listed and OTC Companies.
Climate Change Risk Interval		Countermeasures and Results											
Category	Item												
Codes and Regulations	1. Greenhouse gas inventory investigation and declaration	1. Total control and emissionsThe Southern Science and Industry Park Administration of the Ministry of Science and Technology investigates companies' greenhouse gas emissions 2. In accordance with the											
	2. Total Emission Control												

					<p>implementation of Taiwan's "Energy Administration Act", carry out energy saving and carbon reduction measures and declaration</p> <p>3. Obtain ISO 14064-1 greenhouse gas inventory certificate for future planning</p>	
			Energy/ Resources	Waste recycling	Recycling waste into plastics, iron and aluminum cans, paper, general waste, etc. can reduce waste incineration and reduce carbon emissions	
				Solar energy	The Tree Valley Plant has set up solar energy equipment, which can be used for the basic use of electricity in the plant to achieve green energy supply.	
			Extreme Climate	Extreme climate may cause heavy rainfall events, long periods of drought and rain, floods, and typhoons to directly affect operations.	<p>1. Respond and handle according to emergency preparedness and response management procedures</p> <p>2. The pump at the discharge port increases the discharge pressure</p> <p>3. Before and after floods and typhoons, carry out emergency response to reduce damage</p>	
			Long-Term	Sea level rise	Reducing greenhouse gas emissions can reduce the melting of ice in the South Pole and the Arctic, and ease the rising trend of sea level	
				Impact on employee health	Reduce greenhouse gas emissions, reduce the occurrence of extreme climates, and thereby reduce the impact of extreme climates (such as sandstorms...) on the human body, such as asthma, allergies, etc.	
(IV) Does the company count greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction,	✓		(IV) In the design of the factory, the company is based on energy saving and carbon reduction, with high design, additional ventilation and heat dissipation external walls, and natural circulation of ventilation and heat dissipation to reduce	Comply with the Code of Practice for the Sustainable Development of Listed and		

greenhouse gas reduction, water use reduction or other waste management?

the temperature in the factory, replace the air conditioning system, and save electricity.

OTC Companies.

1. Energy saving target

In accordance with ISO 50001 as the norm, and in accordance with the provisions of Articles 8, 9 and 12 of the Energy Administration Act, if the energy consumption reaches the specified amount, an energy verification system shall be established, and energy conservation goals and implementation plans shall be set to Achieve the annual power saving rate of more than 1%; also, annual carbon reduction is to reduce energy emissions by 1%.

2. Greenhouse gas emissions, water usage, or total waste:

The indirect sources of greenhouse gas emissions of the Company are mainly from purchased electricity, which amounted to 9,080 thousand kWh, 8,705 thousand kWh, 9,537 thousand kWh, 10,547 thousand kWh, and 8,924 thousand kWh from 2019 to 2023 respectively. The total greenhouse gas emissions of the Company were 4,622.127 tons CO₂e/yr in 2019, 4,370.110 tons CO₂e/yr in 2020, 4,854.434 tons CO₂e/yr in 2021, and 5,368.626 tons CO₂e/yr in 2022, and 4,417.578 tons CO₂e/yr in 2023.

The total waste amounts of the Company from 2018 to 2023 were 436 tons, 317 tons, 321 tons, 378 tons, 455 tons, and 301 tons respectively.

In response to the environmental impact caused by greenhouse gas emissions, the Company will promote measures to reduce greenhouse gas emissions in the future, achieve sustainable energy development that balances cost and resource efficiency, energy conservation, and environmental protection.

Year	2019	2020	2021	2022	2023
Total Power Consumption (KWh)	9,080,800	8,705,400	9,537,200	10,547,400	8,924,400
CO ₂ Emissions (mt)	4,622.127	4,370.110	4,854.434	5,220.963	4,417.578
Data from the	0.509 kilograms of CO ₂ is	0.502 kilograms of CO ₂ is	0.509 kilograms of CO ₂ is	0.495 kilograms of CO ₂ is	The Ministry of

			Bureau of Energy, Ministry of Economic Affairs	produced per kilowatt-hour of electricity	produced per kilowatt-hour of electricity	produced per kilowatt-hour of electricity	produced per kilowatt-hour of electricity	Economy Energy Bureau has not yet announced the result. It is firstly calculated for 2022 that 0.495 kilograms of CO ₂ is produced per kilowatt-hour of electricity	
			Note: According to the data of the Energy Bureau of the Ministry of Economic Affairs, 0.638kg of CO ₂ is generated per kWh.						
<p>IV. Maintaining social welfare</p> <p>(I) Does the company make related management policy and procedure pursuant to relevant regulations and international covenants of human rights?</p>	✓		<p>(I) The company complies with the “Labor Standards Law” and “International Human Rights Convention” and the relevant laws and regulations issued by the government, formulating complete and compliant with labor laws and regulations related systems and management methods, which are carried out by dedicated personnel to protect employees’ legal labor rights and employment policies. Treatment and other management principles.</p> <ol style="list-style-type: none"> 1. All forms of forced labor are strictly prohibited. 2. Apply for labor insurance, health insurance, and insure employer liability accident insurance for all employees. 3. Implement employment policies in accordance with the Employment Service Law, including prohibiting child labor. 4. Follow internationally recognized labor human rights and equality, and prohibit any form of discrimination. 5. Continue to promote gender equality. 6. Based on the principle of “employee care” and “employee well-being”, withdraw pensions and set up employee welfare committees in accordance with the law. Under the principle of stable operation, provide various benefits and measures that are better than legal conditions as far as possible. In order to cooperate with the legal changes, announcements are made in the factory area. <p>In accordance with the implementation</p>	<p>Comply with the Code of Practice for the Sustainable Development of Listed and OTC Companies.</p>					

		<p>policy, the company implements the human rights policy, which is applicable to all levels of the company, and continuously enhances and improves the management of human rights-related issues, reducing the risk of human rights incidents, and implementing the policy and the management plan for human rights-related issues.</p>	
<p>(II) Does the company formulate and implement reasonable employee welfare measures (including compensation, vacations and other benefits), and appropriately reflect operating performance or results in employee compensation?</p>	<p>✓</p>	<p>(II) The relevant measures are as follows:</p> <ol style="list-style-type: none"> 1. The company's main remuneration principle is to link departmental responsibilities and performance results, and hopes to recruit and retain excellent talents by setting reasonable remuneration policies. 2. The company explicitly defines the employee code of conduct standards, related disciplinary and incentive measures in the work rules and internal control system (previously the employee Handbook). 3. The company set up a "Pay and Remuneration Committee" composed of four independent directors. The four remuneration committees with different backgrounds not only have rich academic experience, but also fully grasp the pulse of domestic and foreign industries. A reasonable salary and compensation policy and performance appraisal system will gradually improve the integration of the above system and corporate social responsibility policies based on the pulsation of operations to continuously improve the quality and competitiveness of the company at each stage. 4. Gender Equality and Diversity The company's professional management team upholds the spirit of integrity and integrity, and is committed to providing employees with a diverse, inclusive, friendly and safe workplace, and aims to create equal growth and development opportunities for each employee and a sense of belonging to the company. The company currently has 9 disabled persons (practice) 6 people are employed on an interim basis, and they are employed according to the regulations. Those who use one person shall be counted as two people), unless they meet the requirements of the "Physical and Mental Disabilities". In addition to the fixed quota employment stipulated in the Law on the Protection of the Rights and 	<p>Comply with the Code of Practice for the Sustainable Development of Listed and OTC Companies.</p>

		<p>Interests of Disabled Persons, 5 disabled workers are employed.</p> <p>(1) Female's Diversity Indicators</p> <table border="1" data-bbox="805 273 1273 474"> <thead> <tr> <th>Indicators</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Female for the total workforce (%)</td> <td>25.80%</td> </tr> <tr> <td>Female for the all supervisors (%)</td> <td>21.50%</td> </tr> <tr> <td>Female for the grassroots supervisors (%)</td> <td>15.60%</td> </tr> <tr> <td>Female for the senior executives (%)</td> <td>57.10%</td> </tr> </tbody> </table> <p>(2) Other Diversification Indicators</p> <table border="1" data-bbox="805 542 1284 772"> <thead> <tr> <th>Item</th> <th>All employees %</th> </tr> </thead> <tbody> <tr> <td>Handicapped</td> <td>1.40%</td> </tr> <tr> <td rowspan="4">All employees</td> <td>age group: <30 years old</td> <td>18.2%</td> </tr> <tr> <td>age group: 30~50 years old</td> <td>72.3%</td> </tr> <tr> <td>age group: >50 years old</td> <td>9.5%</td> </tr> <tr> <td>total</td> <td>100.00%</td> </tr> </tbody> </table> <p>5. Salary and Remuneration Equality The company has a "Salary Reporting Company Commissioner" to regularly review and ensure that the company's salary policy is competitive. Machinery manufacturing business operations through transparent and fair performance and technology scoring performance feedback to employees. The company also upholds fair and consistent salary standards when using talents. For the same job category, if it is an inexperienced person at the bottom, the salary of the user is the same, if it has work experience related to the job. The salary will be determined according to their education background, relevant professional knowledge and certificates. In addition, the company provides equal opportunities for training and promotion to all employees, regardless of other background, gender or academic experience.</p>	Indicators	%	Female for the total workforce (%)	25.80%	Female for the all supervisors (%)	21.50%	Female for the grassroots supervisors (%)	15.60%	Female for the senior executives (%)	57.10%	Item	All employees %	Handicapped	1.40%	All employees	age group: <30 years old	18.2%	age group: 30~50 years old	72.3%	age group: >50 years old	9.5%	total	100.00%	
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<p>(III) Does the company create a safe and healthy working environment and implements safety and health education for employees regularly?</p>	<p>✓</p>	<p>(III) The company shall set up Labor Safety and Health Committee as per labor safety and health law, convene labor safety and health meeting regularly, persistently assist the factory in completing various tasks related to environmental safety and health to make sure the safety and health of working environment. Explanation of only relevant items is made below:</p> <table border="1" data-bbox="737 1915 1284 2083"> <thead> <tr> <th>Items</th> <th>Contents</th> </tr> </thead> <tbody> <tr> <td>Entrance Guard</td> <td>1. Strict entrance guard monitoring system is set up in the daytime and nighttime. 2. Connect with police organs online to</td> </tr> </tbody> </table>	Items	Contents	Entrance Guard	1. Strict entrance guard monitoring system is set up in the daytime and nighttime. 2. Connect with police organs online to	<p>Comply with the Code of Practice for the Sustainable Development of Listed and OTC Companies.</p>																			
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Entrance Guard	1. Strict entrance guard monitoring system is set up in the daytime and nighttime. 2. Connect with police organs online to																									

				take precaution.
			Maintenance and Inspection of Various Equipment	<ol style="list-style-type: none"> 1. In accordance with buildings public safety inspection and visa & declaration regulations, entrust specialized company to carry out public safety inspection every year or every four years. 2. According to fire protection law, conduct fire safety inspection by outsourcing every year. 3. Maintain and check such equipment as electrical equipment, lift, air conditioner, water dispenser, automobile, and fire apparatus in terms of Code of Conduct of Safety and Health in the company.
			Contingency Measures for Disaster Prevention	<ol style="list-style-type: none"> 1. Develop emergency preparedness and response procedure, emergency response plan, Code of Conduct of Labor Safety and Health, accident investigation and management procedure together with other disaster prevention, rescue precautions and accident & disaster reporting procedure, well define responsibilities of personnel at all levels for such important incidents and accidents as acts of God and fire disaster and corresponding tasks and arrange safety protection drills as required. 2. Entrust fire competent authority to carry out fire control & disaster prevention training.
			Physiological Health	<ol style="list-style-type: none"> 1. Perform periodic health examination on a yearly basis in accordance with Occupational Safety and Health Law. 2. Health in working environment: Ban smoking entirely in working environment, hold health lecture, arrange CPR training and regularly conduct office environment cleaning and sterilization.
			Mental Health	<ol style="list-style-type: none"> 1. Educational training: provide communication skill and emotion management courses as well as employee psychological adjustment and profession skill strengthening training. 2. Expression of opinion: set employee suggestion zone and provide various manuals, educational training announcement and channels for employee's expression of opinion and interactive learning. 3. Sexual harassment prevention: set forth complaint and punishment terms.
			Insurance and Medical	<ol style="list-style-type: none"> 1. Buy labor insurance (including occupational hazard insurance) and health insurance by law.

Condolence	2. Buy officers liability insurance. 3. Buy group insurance.
Contractor Management	1. Inform contractors of hazard factors during working and hold meetings for contractor agreement in accordance with Occupational Safety and Health Law. 2. Set contractor management procedure and provide related forms for contractor applying and filling out.
Educational Training	Implement pertinent safety and health educational trainings, such as general safety and health educational trainings, manufacture, disposal, and usage of hazardous chemical educational trainings, and additional 3h of safety and health trainings prior to operation of manufacturing machine/equipment, aerial working vehicle, winch trucks, assignment in oxygen deficient environment, and electric welding, in accordance with Occupational Safety and Health Law.

Healthy and safe working environment

The company shall provide employees with safe and sound working environment, earnestly observe fire regulations and take the following measures to protect personal safety and health in the working environment:

1. ISO 14001/ISO 45001/CNS 45001 environmental safety and health management system: set up a management system to evaluate performance and efficiency of environmental and occupational safety & health and enhance environmental safety & health, thus guaranteeing personal safety of employees.
2. Identify environmental considerations and various hazards in all activities, products and services of the Company, evaluate the risks of major environmental considerations and its hazards, judge the priority action level and control unacceptable environmental safety and health risks that may facilitate the planning, management and implementation of environmental and occupational safety and health.
3. Establish unified regulations for hazardous labeling of chemicals in compliance with regulations and requirements; be able to take emergency measures immediately upon occurrence of hazard and leakage during working through effective reminders to prevent from occurrence of hazards and extension of accidents.
4. For industrial wastes produced, establish

		<p>resources recovery and related management mechanism to realize waste recycling, stabilization, hazard-free treatment, economization and satisfy the requirements of decree by improving environmental sanitation.</p> <ol style="list-style-type: none"> 5. Raise contingency ability of employees under emergency circumstances and define correct handling procedure to make sure personal safety and normal operation of the company in the hope of minimizing loss in case of accident. 6. Check the fire apparatuses on a regular basis to reduce the losses after accident occurrence and guarantee personal safety of employees. 7. Lay down <i>Code of Conduct of Safety and Health</i> to avoid occupational accident, maintain the safety and health of employees and ensure the normal operation of working place, further reaching the target of sustainable business operation. 8. Appoint <i>Safety and health Personnel</i> to take charge of planning and advancing environmental safety and health policies and management system of the company and checking their performance. Train occupational safety personnel for occupational safety, including A Grade occupational safety and health manager, B Grade occupational safety and health specialist, A Grade occupational safety and health executive, first-aid personnel and fire controller, to strengthen environmental safety and health management in workplace and maintain a safe and healthy workplace. 9. Conduct Annual Health Examination for Employees on a regular basis to protect their safety and health. 10. Conduct Working Environment Monitoring twice a year, get hold of working environment dynamics, evaluate exposure hazard, measure physical and chemical factors in environment and improve the working environment based on measured results to meet the requirements. 11. Regular inspection, key inspection and work inspection: conduct automatic inspection every year, 3 months, monthly, daily based on automatic inspection management procedure and examine potential hazards in workplace by means of automatic inspection for the purpose of preventing disasters and protecting company property and personal operation 	
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		<p>safety.</p> <p>12. Field inspection: conduct regular or irregular inspection for in-plant safety and health to eliminate actual or potential hazards and risks.</p> <p>13. Objective and scheme of environmental sanitary and hygiene: The 2023 year improvement plan, including the COVID-19 epidemic prevention plan, has been completed.</p> <p>14. There was no occurrence of fire in 2023; that is, the number of fire accidents, the number of fire-caused deaths, and the ratio of fire-caused deaths and injuries to the total number of employees in 2023 were all zero.</p>	
(IV) Does the company develop an efficient career capability development training plan?	✓	<p>(IV) The company has been committed to creating a learning environment providing endless talent force and increasing remarkable competitive power, set <i>Educational Training Management and Operational Procedure</i> and cultivated right talents by virtue of internal and external training resources. Currently, the company has provided a series of educational trainings for common knowledge, professional skill and management to stimulate employee's potential and occupational development ability, realize close coordination between enterprise development and talent development plan of colleagues and heighten awareness of production efficiency and enterprise social responsibility. Training plan mainly implemented is composed of general training, educational training for labor safety, operation & management and traditional culture, professional training, training for employees dispatched to foreign subsidiaries, internship training for international exchange. The company shall train head of all units and senior colleagues as internal lecturer to inherit company culture and skills and invite external experts to give lessons to the directors and supervisors periodically.</p>	Comply with the Code of Practice for the Sustainable Development of Listed and OTC Companies.
(V) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company complied with relevant regulations and international standards, and formulated relevant policies and appeal procedures for consumer protection?	✓	<p>(V) The company upholds a professional and innovative attitude, improves product efficiency and an honest and honest attitude to serve customers, and expects to provide customers with satisfactory products and services. Therefore, the company formulates standard customer complaint procedures, properly judges the responsibility to resolve the problem, and sets preventive measures to prevent</p>	Comply with the Code of Practice for the Sustainable Development of Listed and OTC Companies.

		<p>similar problems, and regularly investigates and tracks customer satisfaction to understand customer needs and problems, the results will serve as the basis for the development of improvement strategies.</p> <p>The company's products are mechanical components, and there are relevant international standards. The company follows relevant laws and international standards and implements them on the process and raw material management.</p>	
<p>(VI) Does the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?</p>	<p>✓</p>	<p>(VI)</p> <ol style="list-style-type: none"> 1. The company possesses tight and complete supply chain system and can assist suppliers in improving product quality by integration. For suppliers of contract project, the 2-IS-2-K-001 contractor management procedure shall be followed. Apart from implementation of safety & sanitation autonomous management, educational training, agreement organization, factory-entering hazard notification and other safety managements, requirements of physical environmental management shall also be met to fulfill the enterprise social responsibility of safety and environmental protection he company has closed and integrated supply chain system, and able to integrate and assist suppliers improve product quality. As to the contractor who carry the engineering were perform management according to 2-IS-2-K-001 contractor management procedure. In addition to adhesive perform. In addition, according to the 1-AD-2-B-001 supplier management program, the environmental management assessment and social responsibility assessment and evaluation of suppliers and new outsourcing processing plants include whether the manufacturer is ISO14001 environmental management system or SA8000 corporate social responsibility certification. 2. The company conducts "Factory Environmental Management Assessment Form" and "Social Responsibility Assessment Form" assessments of suppliers and new outsourced processing plants according to supplier management procedures, including contracts with major suppliers requiring suppliers and contractors to comply with Labor Standards Act and related human rights regulations, including prohibition of child labor, forced labor, health and safety, 	<p>Comply with the Code of Practice for the Sustainable Development of Listed and OTC Companies.</p>

			<p>freedom of association and collective bargaining rights, discrimination, etc., involve violations of corporate social responsibility policies and have a significant impact on the environment and society, the terms of the contract may be terminated or cancelled at any time.</p> <p>3. In 2023, a total of 1 on-site environmental, safety and health inspections were conducted for the removal and disposal company, and the result was Pass.</p>																										
V. Does the company refer to internationally-used report preparation standards or guidelines to prepare sustainable development reports and other reports that disclose the company's non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-party verification unit?		✓	The Company has not yet prepared a sustainability report.	To comply with future stipulations, the disclosure of relevant sustainable development information will be strengthened.																									
6. If the company has its own sustainable development code in accordance with the "Code of Practice for the Sustainable Development of Listed and OTC Companies and Enterprises", please describe its operation and the differences from the "Code of Sustainable Development of Listed and OTC Companies and Enterprises": The company's sustainable development code of practice and related regulations are still under development.																													
7. Other important information conducive to understanding the operation of sustainable development:																													
(I) The Company has acquired various certifications.																													
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(II) In terms of participation in social activities and social contribution, the company actively cooperates with various universities and colleges in Tainan (such as National Cheng Kung University (NCKU), Southern Taiwan University of Technology (STUST), Kunshan University, Far East University and Nan Jeon Institute of Technology) to provide opportunity of observation learning and internship and enhance industry-university collaboration, with the aim to accelerate the regional prosperity and bring more employment opportunities. In addition, the Company also cooperates with communities to establish prize for moral excellence and provide financial aid for students in community colleges.																													
(III) In response to the resource recycling policy of the government, carefully sort the garbage and recycle.																													
(IV) Digitize document forms and reduce the amount of paper used.																													
(V) Give emergency allowances for employees and help employees overcome the difficulties.																													
(VI) It is prohibited to employ child workers as labor.																													
(VII) The company actively sponsored the festival and cultural events held by the local government																													
(VIII) Assisted Prof. Wu Chung-Hsin of National Chiao Tung University with the DD Motors and Drivers for his ARRC rocket research project, using the small DD motor and driver of cpc to build an advanced rocket propulsion system to improve the control stability of the entire launch trajectory.																													
(IX) The Company participated in the initiative to support custard apple farmers and bought custard apples to be distributed to farmers. Besides allowing employees to experience the kindness of the company, the employees were able to eat fruits at a low price, allowing them to become healthier while also supporting farmers.																													
(X) The earthquake severely affected Turkey and Syria, causing serious casualties. cpc did not fall behind in showing our love and support, donating NT\$660,000 to the "Ministry of Health and Welfare Disaster Relief Fund" to be used for Turkey's disaster relief efforts, and handed over the entire amount to the Ministry of Foreign Affairs.																													

(VI) Circumstances of the company's performance of ethical management and implementation measures:

In accordance with "Code of Ethical Management of the Listed and Over-The-Counter Companies" released by the competent authority, based on the management ideas of integrity, transparency and accountability, this company formulated the integrity-based policy, established a good corporate governance and risk management mechanism to create a business environment with sustainable development, and formulated the code of ethical management of this company. The "Code of Ethical Management" was passed by the resolution of the board of directors on March 21, 2012 and reported by the general meeting of shareholders on June 20, 2012; and the revised "Ethical Management Procedures and Behavioral Guidelines" was passed by the resolution of the board of directors on March 26, 2015. In addition, to carry out the ethical management policy, through the resolution of the board of directors on May 9th, 2014, the chairman room should serve as the unit responsible for promoting enterprise ethical management, and adopt this management idea to sincerely serve all customers and suppliers, and continuously strengthen the company's business information transparency to make shareholders know the company's operation more clearly.

Evaluation Items	Operation Situation			The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
<p>I. Formulation of ethical management policy and scheme</p> <p>(I) Does the company clearly specify the policy, practice of ethical management in the rules and external files, and does the board of directors, management level actively implement the commitment of ethical management?</p>	✓		<p>(I) On March 21, 2012, the board of directors of the company approved the "Code of Integrity Management" and reported it to the shareholders' general meeting on June 20, 2012. On March 26, 2015, the board of directors passed a resolution to amend to "Ethical Operating Procedures and Behavior Guide", which specifically regulates the matters that the company's personnel should pay attention to when performing business, and serves as a commitment for the board and management to actively implement operating policies. The company designates the chairman's office as the designated unit (hereinafter referred to as the company's designated unit), which is affiliated with the board of directors and handles the relevant operations and supervision and implementation of the revision, execution, interpretation, consulting services and registration of the contents of the procedures and behavior guidelines, the main duties the following matters, and should be reported to the board of directors regularly:</p> <ol style="list-style-type: none"> 1. Assist in integrating integrity and moral values into the company's business strategy, and cooperate with the legal system to formulate relevant anti-fraud measures to ensure integrity management. 2. To formulate plans to prevent dishonesty, and to 	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
			<p>establish standard operating procedures and behavior guidelines for work operations in each plan.</p> <p>3. Plan the internal organization, organization and functions, and set up a mutual supervision and check mechanism for business activities with a high risk of dishonesty in the business scope.</p> <p>4. Promotion and coordination of integrity policy advocacy training.</p> <p>5. Plan the reporting system to ensure the effectiveness of the implementation.</p> <p>6. Assist the board of directors and management to check and evaluate whether the preventive measures established by the implementation of integrity management are operating effectively, and regularly evaluate and follow the relevant business processes and make reports.</p>	
(II) Does the company implement prevention measures for the business activities with high risk of dishonest behaviors in each clause of Item II of Article 7 of “Code of Ethical Management of the Listed and Over-The-Counter Companies” or within the other business scope?	✓		<p>(II) The company formulates the “Code of Ethical Management” according to the “Code of Ethical Management of the Listed and Over-The-Counter Companies” released by the competent authority as the basis to abide by, and clearly specifies the prohibition of dishonest behaviors. The directors, supervisors, manager, employees or those with substantial control ability of this company shall not directly or indirectly provide, promise, request or accept any illegitimate benefits, or have other dishonest behaviors of violation of good faith, illegitimacy or breach of the trustee obligation, etc. to gain or maintain the interests. The relevant prevention measures include operation procedures, behavioral guidelines and education training, etc. The prevention scheme formulated by this company covers the prevention measures for the following behaviors:</p> <ol style="list-style-type: none"> 1. Offer bribes and accept bribes. 2. Provide illegal political contributions. 3. Improper charitable donation or sponsorship. 4. Provide or accept unreasonable gift, hospitality or other improper benefits. 5. Do not provide or promise any facilitation payments. 	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
(III) Does the company formulate the scheme of preventing dishonest behaviors, clearly specify the operation procedures, behavioral guidelines, violation penalties and appeal system, and carry out the implementation, and regularly review and revise the pre-release plan?	✓		(III) The company clearly formulates the code of practice of enterprise social responsibility, code of employee behavior, code of ethical management, relevant specification of preventing insider trading procedures, carries out the management ideas of “Integrity and Fairness, Integrity and Ability” and other principles of ethical management, continues to review, revise the relevant operation procedures, behavioral guideline, violation punishment and appeal system in each stage, and supplements the internal training, external training, independent director special instruction and other education training to gradually implement and conform to the relevant provisions.	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.
<p>II. Implementation of ethical management</p> <p>(I) Does the company assess the credit records of trading objects, and clearly specify the honesty behavior clauses in the contract signed with the trading objects?</p>	✓		<p>(I) Before the establishment of commercial relation, firstly assess the legality of this trading object, policy of ethical management, and assess whether there ever exist the records of dishonest behaviors to ensure its business operation mode fair, transparent, and no behavior of asking for, offering or accepting bribes.</p> <p>1. Before establish business relations, the Company shall evaluate the legality, ethical practices, and trading records of its agent, distributor, customer and other entities with commercial dealing to ensure the business operated in a fair manner with transparency without corruptions like requesting or providing bribes.</p> <p>2. When contracting with others, the Company shall evaluate the business operation of the contracting party and include the honesty and ethical business clauses into the contract with the below articles:</p> <p>(1) If the agent or staff of the contracting parties have violated the prohibition to receive commission, rebates, or other inappropriate interests defined under this contract, the contracting party shall inform the other party with the relevant information of such incident, such as the identity of the agent or staff, the offer or promise made, the interests, and comply</p>	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
			<p>with the investigation of the other party. Shall the contracting party exposed to any damage or loss due to such incident, the party are entitled to seek compensation for other party.</p> <p>(2) Shall the contracting party has dishonest or unethical behaviors, the other party may terminate the contract at any time.</p> <p>(3) Set clear and reasonable articles about payment, including the location and method of making payment, and the relevant tax law and regulations.</p>	
(II) Does the company set up a special unit under the board of directors to promote the integrity management of the enterprise, and regularly (at least once a year) report to the board of directors on its integrity management policies and plans to prevent dishonesty and supervision and implementation?	✓		<p>(II) This company has designated the Chairman's Office through the board of directors on May 9, 2014 as a special responsible unit, and regularly (i.e., February 26, 2024) reports the 2023 report on integrity management policies and plans to prevent dishonesty and supervision and implementation:</p> <ol style="list-style-type: none"> 1. It handles the revision, implementation, interpretation, consultation service, reporting content registration document and other relevant operation, will supervise its performance and regularly report to the Board of Directors. 2. It continuously conducts related training courses covering food safety, law safety and asset safety to practice business integrity. 	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.
(III) Does the company formulate the policy of preventing conflict of interest, provide the proper statement channel, and carry out the implementation?	✓		<p>(III) The company has formulated the "Integrity Management Code" which requires directors, supervisors, managers and others to uphold a high degree of self-discipline when attending or non-voting during the board of directors. Resolutions brought up in the board of directors may have conflicting interests with attendees or the legal person they represent, causing harm to the resolutions listed in the board of directors. Those who are in danger of compromising the company's interests may state their opinions and answer inquiries. They may not participate in discussions and voting, and they should withdraw from discussions and voting. They may not exercise their voting rights on behalf of other directors. Directors should also be self-disciplined and must support each other. Directors and managers of the company shall</p>	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
			<p>not use their positions in the company to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p> <p>In 2023 and up to now, resolutions of the board of directors in which there is a conflict of interest with the directors themselves and therefore withdrew from discussion, according to where company law article 206, article 178 is applicable :</p> <ol style="list-style-type: none"> 1. On January 16, 2023, the board of directors discussed the case of “2022 Year-End Bonus Distribution for Managers.” 2. On January 16, 2023, the board of directors discussed the case of “2022 Remuneration and Related Regulations for Managers.” 3. On January 16, 2023, the board of directors discussed the case of “Amendment of Remuneration Regulations and Review on Remuneration Adjustment for Managers.” 4. On May 9, 2023, the board of directors discussed the case of “2022 Managers Allotment of Remuneration for Employees.” 5. On May 9, 2023, the board of directors discussed the “2022 Remuneration Allotment for Directors and Supervisors.” 6. On May 9, 2023, the board of directors discussed the case of “Distribution Updates on Company Vehicles.” 7. On February 2, 2024, the board of directors discussed the case of “2023 Year-End Bonus Distribution for Managers” 8. On February 2, 2024, the board of directors discussed the case of “2023 Remuneration and Related Regulations for Managers.” 	

Evaluation Items	Operation Situation			The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
(IV) Has the company established relevant accounting system and internal control system and assigned the internal auditing unit to draft the counter measures to avoid the dishonest behaviors or seek approval from the entrusted account after evaluating the risk of dishonest behaviors?	✓		(IV) For business activities with a high risk of dishonesty, the company has established an effective and complete accounting system and internal control system. There should be no false transaction accounting, and it should be reviewed at any time to ensure that the design and implementation of the system continue to be effective. The company conducts self-inspection once a year, and then the internal audit unit reviews the self-evaluation reports of various units and subsidiaries including the control environment, risk assessment, control operations, information and communication and supervision, etc., and improvements of deficient and abnormal events in internal control found by the audit unit serves as the main basis for the board of directors and the general manager to evaluate the effectiveness of the overall internal control system and issue a statement of internal control system. The company's internal auditors regularly audit the system to follow the situation, and make an audit report to the board of directors. In addition, PwC Taiwan also regularly audits the company's internal control.	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.
(V) Has the company organized internal and external training on honest and ethical business operation on a regular basis?	✓		(V) In addition to regularly holding the internal education training of business integrity, the Company also participates in external similar courses to serve as a channel for the employees' absorption of new knowledge and provision of decision-making assistance.	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.
III. Operation situation of the company's reporting system (I) Does the company formulate the specific reporting and reward system, establish the convenient reporting channel, and designate the specifically responsible personnel aiming at the reported party?	✓		(I) The company incorporates the ethical management in the employee performance assessment and human resource policy, and sets up a clear, effective reward and punishment and appeal system. The complaints procedure is as follows: Any violation of government decree or any fraud discovered shall be reported to the manager, internal audit personnel through the dedicated e-mail address of senior executives, internal audit personnel or in writing. The relevant personnel after receiving the reporting shall submit it to the general manager or chairman for deciding. Any	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
(II) Does the company formulate the survey standard operation procedure and relevant confidentiality mechanism for accepting the reporting matters?	✓		<p>severe violations shall be reported to the board of directors, and the unit or department head of the reported object shall be designated to be specifically responsible for acceptance to deal with the follow-up properly.</p> <p>(II) Article 21 of the company's "Integrity Management Operation Procedures and Conduct Guidelines" clearly states: Encourage internal and external personnel to report dishonesty or misconduct, and the rewards should be awarded according to the severity of the report. If there is any false report or malicious accusation by the internal personnel, disciplinary action shall be taken against the case, and the person with serious circumstances shall be dismissed.</p> <p>The company establishes and announces internal independent reporting mailboxes and dedicated lines on the company's website and internal websites or entrusts other external independent institutions to provide reporting mailboxes and dedicated lines for use by internal and external personnel of the company. The company also stipulates a whistleblowing system in the "Employee Code of Conduct". If an employee discovers an illegal (including corruption) and unethical behavior or suspects of violating the employee's code of conduct, he has the obligation to report to the management and ask the relevant supervisor and Correspondence personnel are kept strictly confidential. For those who violate the integrity of the company and the circumstances are serious, they should be handled in accordance with relevant laws and regulations or in accordance with the company's personnel methods, and continue to build and improve the standard operating procedures for the investigation of acceptance of reports.</p>	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.
(III) Does the company adopt the measures to protect the reporter from suffering the improper treatment due to reporting?	✓		(III) The company provides protection measures for the reporters in the formulated "Employee Code of Conduct" to ensure the survey quality, and avoid the reporter suffering unfair retaliation or treatment.	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
<p>IV. Strengthening the disclosure of information</p> <p>Does the company disclose the content of its formulated code of ethical management and promotion effect on its website and public information observation station?</p>	✓		<p>1. The amended Business Integrity Operation Procedure and Code of Conduct was passed upon the resolution of the board meeting on March 11, 2020. Moreover, the information related to business integrity is disclosed under the Investor Relations on the official site of the Company.</p> <p>2. This company shall disclose the policy of ethical management on the internal regulations, annual report or other statement, and make declarations on product presentations, corporate seminars and other public activities to make its suppliers, customers or other business relevant institutions and personnel clearly know the company's idea and specification of ethical management.</p>	Comply with the code of Conduct of social responsibility of listed and OTC companies and enterprises.
<p>V. If the company formulates its own code of ethical management according to the "Code of Ethical Management of the Listed and Over-The-Counter Companies", please explain the differences between its operation and the formulated code:</p> <p>This company has formulated the code of ethical management of the company (already having been revised as "Ethical Management Procedures and Behavioral Guidelines") to specifically regulate the matters needing attention for the company's personnel when performing the business, without major difference.</p> <p>Prohibition of dishonest behavior</p> <p>In the process of being engaged in business activities, it shall not directly or indirectly provide, promise, request, or accept any illegitimate benefits, or have other dishonest behavior of violating integrity, illegitimacy or breach of trustee obligation, etc. to gain or maintain the interests.</p> <p>Ethical management of commercial activity</p> <p>It shall carry on the commercial activities in the manner of fairness and transparency. Before the commercial intercourse, it shall consider the legitimacy of agents, suppliers, customers or other commercial trading objects and consider whether there exist the records of dishonest behavior. It shall avoid trading with those who have the records of dishonest behavior.</p> <p>Prohibition of offering bribes or accepting bribes</p> <p>When performing the business, it shall not directly or indirectly provide, promise, request or accept the illegitimate interests of any forms.</p> <p>Prohibition of providing political illegal contributions</p> <p>It shall conform to the Political Donations Act and the company's internal related operation procedures, and shall not there out gain commercial interests or trading advantages.</p> <p>Prohibition of improper charitable donation or sponsorship</p> <p>It shall conform to the relevant laws and internal operation procedures, instead of disguised bribery.</p> <p>It shall not directly or indirectly provide or accept any unreasonable gift, hospitality or other improper benefits to there out establish the commercial relations or affect the business transactions.</p> <p>Accounting and internal control</p> <p>It shall establish the effective accounting system and internal control system for the business activities with high risk of dishonest behavior, without any external account or keeping any secret account, and shall check at any time to ensure the design and performance of this system continuously effective.</p> <p>The internal audit personnel of this company shall regularly check the conformance situation of the previous system, and shall make it into the audit report to be submitted to the board of directors.</p> <p>Information disclosure</p> <p>It shall disclose the performance situation of its code of ethical management on the company website, annual report and prospectus.</p>				

Evaluation Items	Operation Situation			The difference from the Code of Conduct of Social Responsibility of Listed and OTC Companies and Enterprises and the Causes
	Yes	No	Abstract Statement	
VI. Other important information that contributes to understanding of the company's operation situation of ethical management: (such as the company's inspection, revision of its formulated code of ethical management, etc.) <ol style="list-style-type: none"> (1) As an important enterprise culture of this company, the integrity has been simultaneously implemented to the company's employees, directors and supervisors, suppliers, etc. (2) Announce the company's related information on time according to the regulations of the competent authority 				

(VII) If the company formulates the corporate governance code and relevant regulations, it shall disclose its inquiry mode:

The Company has formulated the Code of Corporate Governance and relevant regulations, and has released them under the Investor's Zone, the CSR Zone on the company website (company website: <http://www.chieftek.com>) or the special zone on MOPS.

(VIII) Other important information enough to promote the understanding of operation situation of corporate governance:

1. The implementation of the directors' avoidance of the proposal of interest:

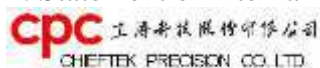
The company stipulates in the "Code of Procedures for Board Meetings", "Code of Ethical Conduct", "Code of Integrity Management" and "Guidelines for Integrity Management Operating Procedures and Conduct" that directors should maintain a high degree of self-discipline, in the proposals listed by the board of directors, if there is a risk of damage to the directors' own interests or the company's interests, opinions and answers may be stated. They shall not join the discussion and voting, shall evade themselves, and shall not represent other directors in the voting; directors shall also exercise self-discipline and shall not support each other improperly. If a director joins the voting in violation of the avoidance, his voting rights are invalid.

2. The responsible unit of the company's board of directors also occasionally sends staff to attend courses related to corporate governance, and provides the latest legal information to directors, supervisors and managers at any time.

3. The company disclosed important information to the investing public in a timely manner in accordance with the law in order to enhance the understanding of the company

(IX) Implementation situation of Internal Control Systems

1. Statement of Internal Control Systems



CHIEFTEK PRECISION CO., LTD.

Date: February 2, 2024

The internal control system of this company in 2023 is hereby stated as follows according to the self-assessment results:

- I.** This company acknowledges that to establish, implement and maintain the internal control system is the responsibility of the company's board of directors and manager, and this company has established such system. Its purpose is to provide reasonable assurance for reaching the goals of effective and efficient operation (including making profits, achieving performance and ensuring the safety of assets, etc.), reliable, timely, transparent guidance and conforming to relevant specification, namely relevant laws and regulations, etc.
- II.** The internal control system has natural limits. No matter how perfect the design is, the effective internal control system can also provide reasonable assurance only for reaching the above three goals. Moreover, due to the change of environment and situation, the effectiveness of internal control system may also change. Only the internal control system of this company is set with the self-supervision mechanism, and once the negligence is identified, this company will take the corrective action.
- III.** This company is basing on the judgment items for the effectiveness of internal control system stipulated by "Standard for Treatment of Establishment of Internal Control System of the Public Offering Company" (hereinafter referred to as "Standard for Treatment") to judge whether the design and implementation of the internal control system are effective. This internal control system judgment items adopted for "Standard for Treatment" are diving the internal control system into five components in accordance with the process of management control: 1. Control environment; 2. Risk assessment; 3. Control operation; 4. Information and communication; and 5. Supervision operation. Each component further includes several items. Please refer to the provisions of "Standard for Treatment" for the above items.
- IV.** This company has adopted the above internal control system judgment items to assess the effectiveness of design and performance of the internal control system.
- V.** Based on the assessment results of the preceding paragraph, the Company considers the internal control system (including the supervision and management of subsidiaries) on December 31, 2023 includes understanding the goal realization degree of effective and efficient operation, and reporting the effective design and implementation of internal control system that is reliable, timely, transparent, and conforming to the relevant specification, namely the relevant laws and regulations, which can reasonably ensure the realization of the above goals.
- VI.** This statement will become main contents of annual report and public instruction book prospectus of this company and will be opened to the public. If the above disclosed contents have any misrepresentation, omission and other illegal matter, the legal liability of Article 20, Article 32, Article 171 and Article 174, etc. in the Securities Exchange Act will be involved.
- VII.** This statement had been passed on February 2, 2024, by the board of directors of this company. Among 9 attending directors, no one objects; all of them agree the content of this statement, and hereby state.

CHIEFTEK PERCISION CO., LTD.

Chairman: CHEN LI-FEN

General Manager: HSU MING-CHE

4. If the accountant is entrusted for project review of internal control system, the accountant review report shall be disclosed: None.

- (X) From the nearest year to the print date of annual report, circumstances of the company and internal personnel being punished according to law, and the company's punishment, main negligence and improvement for the internal personnel who violate the internal control system:
1. In 2023 and by the date of printing the annual report, the Company and internal personnel have no punishment case due to major violation of the provisions of internal control system.
 2. In addition to strengthening the personnel education and training, this company requests the internal audit personnel to check at any time to reduce the occurrence of negligence.

(XI) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

1. Material resolutions content and implementation situation of the regular meeting of shareholders in 2023 fiscal year.

Date	Material resolutions	Implementation
May 26, 2023	(1) Approval of the 2022 business report and financial statement (2) Approval of 2022 retain earnings distribution (3) Election of directors for the ninth term. (4) Termination of non-compete clause for new directors.	(1) Recognize the 2022 annual business report and financial statements, of which consolidated revenue for the year is NT\$1,635,779 thousand, net profit after tax is NT\$346,787 thousand and earnings per share are NT\$3.91. (2) Set August 21, 2023 as the base date for ex-interest, and resolved at Shareholders' Meeting that all the payment will be completed on September 13, 2023 (cash dividend of NT\$2.0 per share). (3) Registered and approved for change by the Southern Taiwan Science Park Administration Bureau on June 2, 2023, under the registration number of 1120015400. (4) Announced on the Taiwan Stock Exchange and the Company's website.

2. Material resolutions of the Board of Directors

Material resolutions of the eighth and ninth Board of Directors and the first and second Auditing Committee during the 2023 fiscal year and 2024 fiscal year up to the date of publication of the annual report are as follows:

Date	Material resolutions	Independent Directors' Comment and the Company's Response	Implementation
January 16, 2023 (1 st Board Meeting, 1 st Auditing Commission Meeting in 2023)	Matters to be Reported: (1) Report on the minutes and implementation of the previous meeting. (2) Report on the buyback resolution and implementation of the Company's shares. (3) Report on internal audit (4) Summary report on the meeting of the remuneration committee. (5) Report on the schedule and plan for greenhouse gas inventory and verification of the Company.		

<p>January 16, 2023 (1st Board Meeting, 1st Auditing Commission Meeting in 2023)</p>	<p>Matters to be Discussed:</p> <p>(1) Approved the case of 2022 Year-End Bonus Distribution for Managers.</p> <p>(2) Approved the case of 2022 Review on Remuneration and Related Regulations for Managers.</p> <p>(3) Approved the case of Amendment of Remuneration Regulations and Review on Remuneration Adjustment for Managers.</p> <p>(4) Approved the case of 2022 Remuneration for Directors, Supervisors, and Employees.</p> <p>(5) Approved the drafted pre-approval of non-assurance services provided by the CPA, its firms, and associate firms to the Company and its subsidiaries.</p> <p>(6) Approved the assessment of the Company's CPA independence and competence.</p> <p>(7) Approved the amendment of Corporate Governance Best Practice.</p> <p>(8) Approved the proposal of bank applications for the Loan Credit Line.</p>	<p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p>	<p>(1) Approved by the Auditing Commission. Except for the directors, CHEN LI-FEN and HSU MING-CHE, who did not participate in the discussion and voting due to conflict of interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(2) Approved by the Auditing Commission. Except for the directors, CHEN LI-FEN and HSU MING-CHE, who did not participate in the discussion and voting due to conflict of interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(3) Approved by the Auditing Commission. Except for the directors, CHEN LI-FEN and HSU MING-CHE, who did not participate in the discussion and voting due to conflict of interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(4) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent.</p> <p>(5) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent.</p> <p>(6) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent.</p> <p>(7) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent.</p> <p>(8) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent.</p>
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<p>February 22, 2023 (2nd Board Meeting, 2nd Auditing Commission Meeting in 2023)</p>	<p>Matters to be Reported:</p> <ol style="list-style-type: none"> (1) Report on the minutes and implementation of the previous meeting. (2) Report on internal audit. (3) Report on corporate governance. (4) Report on implementation of corporate social responsibility (sustainable development practices). (5) Report on the implementation of the honest business policy of the Company. (6) Self assessment of the directors, board of directors, and functioning committees (Audit Commission and Remuneration Committee). (7) Report on the schedule and plan for greenhouse gas inventory and verification of the Company. <p>Matters to be Discussed:</p> <ol style="list-style-type: none"> (1) Approved the “Internal Control System Effectiveness Assessment” and “Internal Control System Statement” for the Company’s fiscal year 2022. (2) Approved the business report and financial report for the Company’s fiscal year 2022. (3) Approved the profit distribution plan for the Company’s fiscal year 2022. (4) Approved the re-election of directors and independent directors. (5) Approved the convening of the Company’s 2023 shareholders’ meeting. (6) Approved the budget plan for the Company’s fiscal year 2023. (7) Approved the amendment of “Corporate Social Responsibility Practices.”. 	<p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p>	<ol style="list-style-type: none"> (1) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent. (2) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent. (3) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent. (4) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent. (5) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent. (6) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent. (7) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent.
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<p>April 12, 2023 (3rd Board Meeting, 3rd Auditing Commission Meeting in 2023)</p>	<p>Matters to be Reported: (1) Report on the minutes and implementation status of the previous meeting. (2) Report on internal audit report. (3) Report on shareholder proposals received during the 2023 Shareholders' Meeting of 2023.</p> <p>Matters to be Discussed: (1) Approved the candidates for directors and independent directors after legal review.</p>	<p>None</p>	<p>(1) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent.</p>
<p>May 9, 2023 (4th Board Meeting, 4th Auditing Commission Meeting in 2023)</p>	<p>Matters to be Reported: (1) Report on the minutes and implementation of the previous meeting. (2) Report on internal audit. (3) Summary report on the meeting of the remuneration committee. (4) Report on the schedule and plan for greenhouse gas inventory and verification of the Company.</p> <p>Matters to be Discussed: (1) Approved the case of 2022 Bonus Distribution for Managers.</p> <p>(2) Approved the case of 2022 Remuneration Allotment for Directors.</p> <p>(3) Approved the case of Updated Distribution of Company Vehicles</p>	<p>None</p> <p>None</p> <p>None</p>	<p>(1) Approved by the Auditing Commission. Except for the directors, CHEN LI-FEN and HSU MING-CHE, who did not participate in the discussion and voting due to conflict of interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(2) Approved by the Auditing Commission. Except for the directors, CHEN LI-FEN and HSU MING-CHE, who did not participate in the discussion and voting due to conflict of interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(3) Approved by the Auditing Commission. Except for the directors, CHEN LI-FEN and HSU MING-</p>

<p>May 9, 2023 (4th Board Meeting, 4th Auditing Commission Meeting in 2023)</p>	<p>(4) Approved the 2023 Q1 consolidated financial statements</p> <p>(5) Approved the new factory of the subsidiary company cpc Europa GmbH.</p> <p>(6) Approved the proposal of bank applications for the Loan Credit Line</p>	<p>None</p> <p>None</p> <p>None</p>	<p>CHE, who did not participate in the discussion and voting due to conflict of interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(4) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent.</p> <p>(5) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent.</p> <p>(6) Approved by the Auditing Commission; discussed and passed by all attending directors without any dissent.</p>
<p>May 26, 2023 (1st Board Meeting of the ninth term in 2023)</p>	<p>Matters to be Discussed:</p> <p>(1) The election of the ninth term Board of Directors.</p>		<p>The independent director, HO MING-ZIH nominated the director, CHEN LI-FEN, for re-election of the chairman, which the directors, WANG CHEN PI-HSIA and independent directors, WU LING-LING seconded. Passed by all attending directors without any dissent, the director, CHEN LI-FEN, was re-elected to be the chairman of the ninth term.</p>
<p>August 4, 2023 (2nd Board Meeting of the ninth term, 1st Auditing Commission Meeting of the second term in 2023)</p>	<p>Matters to be Reported:</p> <p>(1) Report on the minutes and implementation of the previous meeting.</p> <p>(2) Report on internal audit report.</p> <p>(3) Summary report on the meeting of the remuneration committee.</p> <p>(4) Report on the schedule and planning of the company's greenhouse gas inventory and verification.</p> <p>Matters to be Discussed:</p> <p>(1) Approved the proposal regarding the ex-dividend date and related matters.</p>	<p>None</p>	<p>(1) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p>

<p>August 4, 2023 (2nd Board Meeting of the ninth term, 1st Auditing Commission Meeting of the second term in 2023)</p>	<p>(2) Approved the change of CPA in line with the internal admin organization adjustment of the firm and approved the assessment of Company CPA's independence and competence.</p>	None	<p>(2) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p>
	<p>(3) Approved the 2023 Q2 consolidated financial statements.</p>	None	<p>(3) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p>
	<p>(4) Approved the profit distribution plan for the first half of the year 2023.</p>	None	<p>(4) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p>
	<p>(5) Approved the amendment of the Company's "Management of Financial Statements Preparation Procedures."</p>	None	<p>(5) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p>
	<p>(6) Approved the appointment of the Remuneration Committee for the fifth term</p>	None	<p>(6) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p>
	<p>(7) Approved the increase of endorsement regarding investment subsidiary companies</p>	None	<p>(7) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p>
	<p>(8) Approved the establishment of the employee stock ownership committee of cpc and proposed the articles of association of the employee stock ownership committee</p>	None	<p>(8) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p>
	<p>(9) Approved the subsidiary company's bank application of loan credit.</p>	None	<p>(9) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p>
	<p>(10) Approved bank applications for loan credit.</p>	None	<p>(10) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p>

<p>November 7, 2023 (3rd Board Meeting of the ninth term, 2nd Auditing Commission Meeting of the second term in 2023)</p>	<p>Matters to be Reported: (1) Report on the minutes and implementation of the previous meeting. (2) Report on internal audit. (3) Report on the important contents of purchasing directors and key officers liability insurance. (4) Report on the schedule and plan for greenhouse gas inventory and verification of the Company.</p> <p>Matters to be Discussed: (1) Approved the stipulation of the “2024 Annual Audit Program.” (2) Approved the 2023Q3 consolidated statements. (3) Approved the establishment responsible manager and personnel of information security. (4) Approved that the 7-year credit granting is to be arranged by Mega International Commercial Bank. (5) Approved bank applications for loan credit</p>	<p>None None None None None</p>	<p>(1) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent. (2) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent (3) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent (4) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent (5) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent</p>
<p>February 2, 2024 (1st Board Meeting, 1st Auditing Commission Meeting in 2024)</p>	<p>Matters to be Reported: (1) Report on the minutes and implementation of the previous meeting. (2) Report on internal audit. (3) Summary report on the meeting of the remuneration committee. (4) Report on the implementation of 2023 intellectual property management program. (5) Report on 2023 communication achievements of with stakeholders. (6) Report on self assessment of directors, Board of Directors, and functional committees (Auditing Commission and Remuneration Committee.)</p>		

<p>February 2, 2024 (1st Board Meeting, 1st Auditing Commission Meeting in 2024)</p>	<p>(7) Report on the schedule and plan for greenhouse gas inventory and verification of the Company</p> <p>Matters to be Discussed:</p> <p>(1) Approved the case of 2023 Year-End Bonus Distribution for Managers.</p> <p>(2) Approved the case of 2023 Remuneration and Related Regulations for Managers.</p> <p>(3) Approved the case of 2023 Remuneration for Directors and Employees.</p> <p>(4) Approved the change of CPA in line with the internal administration organization adjustment of the firm and approved the assessment of Company CPA's independence and competence.</p> <p>(5) Approved the "Internal Control System Effectiveness Assessment" and the "Internal Control System Statement" for the Company's fiscal year 2023.</p> <p>(6) Approved the partial amendment of "Board Meetings Regulations," "Articles of Association of the Auditing Commission," and "Circular Arrangement of Computerized Information System" and the "Intellectual Property Management Regulations."</p> <p>(7) Approved the increase of endorsement regarding investment subsidiary companies.</p>	<p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p>	<p>(1) Approved by the Auditing Commission. Except for the directors, CHEN LI-FEN and HSU MING-CHE, who did not participate in the discussion and voting due to conflict of interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(2) Approved by the Auditing Commission. Except for the directors, CHEN LI-FEN and HSU MING-CHE, who did not participate in the discussion and voting due to conflict of interests, the rest directors agreed and passed the proposal without any dissent.</p> <p>(3) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p> <p>(4) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p> <p>(5) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p> <p>(6) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p> <p>(7) Approved by the Auditing Committee; discussed and passed by all attending directors without any</p>
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	<p>(8) Approved the subsidiary company's bank application for loan credit.</p> <p>(9) Approved bank applications for loan credit</p>	<p>None</p> <p>None</p>	<p>dissent.</p> <p>(8) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p> <p>(9) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p>
<p>February 26, 2024 (2nd Board Meeting, 2nd Auditing Commission Meeting in 2024)</p>	<p>Matters to be Reported:</p> <p>(1) Report on the minutes and implementation of the previous meeting.</p> <p>(2) Report on internal audit.</p> <p>(3) Report on the implementation of corporate social responsibility (Sustainable development practices).</p> <p>(4) Report on the implementation of the Company's honest business policy.</p> <p>Matters to be Discussed:</p> <p>(1) Approved the partial amendment of the "Endorsement Procedures."</p> <p>(2) Approved the 2023 business report and financial report.</p> <p>(3) Approved the profit distribution for 2023.</p> <p>(4) Approved the change of accounting manager and its substitute.</p> <p>(5) Approved the convening of the Company's 2024 shareholders' meeting.</p> <p>(6) Approved the budget plan for 2024.</p>	<p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p> <p>None</p>	<p>(1) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p> <p>(2) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p> <p>(3) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p> <p>(4) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p> <p>(5) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p> <p>(6) Approved by the Auditing Committee; discussed and passed by all attending directors without any dissent.</p>

(XII) During the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman, general manager, accounting supervisor, financial supervisor, internal auditing supervisor, corporate governance supervisor and research and development supervisor:

Job Title	Name	Date of Appointment	Date of Dismissal	Reason for Dismissal or Resignation
Accounting Supervisor (Note)	LI PAI-TSANG	-	February 26, 2024	Internal position reorganization
Accounting Supervisor (Note)	WU JIA-YUNG	February 26, 2024	-	Internal position reorganization

Note: On February 26, 2024, the Board of Directors resolved the internal position reorganization of accounting supervisors; WU JIA-YUNG was designated as the accounting supervisor whereas LI PAI-TSANG was designated as the substitute accounting supervisor.

5. Information on CPA professional fees:

1. Information on CPA professional fees:

Unit: NT\$ in thousand

Accounting Firm's Name	CPA's Name	Audit Period	Audit Fee	Non-audit Fee	Total	Notes
PricewaterhouseCoopers (PwC) Taiwan	LIN YUNG-CHIH	January 1, 2023~ December 31, 2023	2,970	526	3,496	Note 1
	YEH FANG-TING	January 1, 2023~ December 31, 2023				

Note 1: Non-audit public expenses include the transfer of pricing reports (NT\$270), transfer pricing report (NT\$180), transportation expenses (NT\$48), and consulting services (NT\$28).

2. If the accounting firm is changed and the audit public expense paid in the year of change is less than the audit public expense of the previous year of change, the decreased amount, and reason shall be disclosed: No such situation.

3. If the audit public expense is decreased of more than 10% compared with that of the previous year, the decreased amount, proportion and reason of the audit public expense shall be disclosed: No such situation.

6. Information of change of CPA:

(I) The company's financial statements were originally entrusted to CPA LIN YUNG-CHIH and CPA TIEN CHUNG-YU for auditing. In order to coordinate with the adjustment of the internal administrative organization of the accounting firm, the CPAs in charge of auditing the company's financial statements have been changed to CPA LIN YUNG-CHIH and CPA YEH FANG-TING since the second quarter of 2023.

(II) The company's financial statements were originally entrusted to CPA LIN YUNG-CHIH and CPA YEH FANG-TING for auditing. In order to coordinate with the adjustment of the internal administrative organization of the accounting firm, the CPAs in charge of auditing the company's financial statements have been changed to CPA YEH FANG-TING and CPA TIEN CHUNG-YU since the first quarter of 2024.

7. **Information of the company's chairman, general manager, manager in charge of finance or accounting affairs working in the certified accountant affiliated firm or its associated enterprise in the recent one year: None.**

8. **From the nearest year to the print date of annual report, circumstance of changes in equity transfer and equity change of the directors, supervisors, managers and shareholders who hold more than 10% shares:**

(I) Circumstance of changes in equity of directors, managers and Substantial shareholders:

Unit: Shares

Job Title	Name	2023		Current fiscal year up to April 15	
		increase (or decrease) number of shares transferred	Increase (or decrease) number of shares pledged	Increase (or decrease) number of shares transferred	Increase (or decrease) number of shares pledged
Chairman	CHEN LI-FEN	0	0	0	0
Director General manager	HSU MING-CHE	0	(160,000)	0	0
Director	LI AN	0	0	0	0
Director	WANG CHEN PI-HSIA	0	0	0	0
Director	CHENG SHENG-FEN	0	0	0	0
Director	CHEN JIA-HAO	0	0	0	0
Independent director	HO MING-ZIH	0	0	0	0
Independent director	WEI NAI-CHANG	0	0	0	0
Independent director	WU CHUNG-JEN	0	0	0	0
Independent director	ZENG XU-WEN	0	0	0	0
Independent director	WANG YONG-ZHANG	0	0	0	0
Independent director	WU LING-LING	0	0	0	0
Vice President	CHEN MIN-CHANG	0	0	0	0
Assistant Vice President	PENG CHIUNG-YIN	0	135,000	0	0
Financial Supervisor Accounting Supervisor (Note 2) Corporate Governance Supervisor	LI PAI-TSANG	(49,000)	0	0	0
Accounting Supervisor (Note 2)	WU JIA-YUNG	0	0	0	0

Note 1: This Company has no substantial shareholders who hold more than 10% shares.

Note 2: On February 26, 2024, the Board of Directors resolved the internal position reorganization of accounting supervisors; WU JIA-YUNG was designated as the accounting supervisor whereas LI PAI-TSANG was designated as the substitute accounting supervisor.

(II) Status about Share Transfer: None.

(III) Status about Share Pledge:

Unit: Shares

NAME	REASONS FOR CHANGES IN PLEDGE	CHANGE DATE	COUNTERPARTY	THE RELATIONSHIP BETWEEN THE COUNTERPARTY OF THE TRANSACTION AND THE COMPANY, DIRECTORS, SUPERVISORS, MANAGERS AND SHAREHOLDERS HOLDING MORE THAN 10% OF THE SHARES	NUMBER OF SHARES	% OF SHARES HELD	PLEDGE RATIO	PLEDGE (REDEEM) AMOUNT
DIRECTOR HSU MING-CHE	REDEEM	March 23, 2023	CATHAY UNITED BANK XIN-XING BRANCH	NONE	(260,000)	0.29%	4.24%	-
DIRECTOR HSU MING-CHE	PLEDGE	October 31, 2023	CATHAY UNITED BANK XIN-XING BRANCH	NONE	100,000	0.11%	1.63%	-
ASSISTANT VICE PRESIDENT PENG CHIUNG-YIN	PLEDGE	March 22, 2023	YUANTA SECURITIES CO., LTD.	NONE	135,000	0.15%	22.46%	-

IX. Information of the shareholder whose shareholding ratio ranks top 10, mutual relation of related person or spouse, domestic relation of parents or closer

March 29, 2024

Name	Shareholding by Self		Shareholding by Spouses, Minor Children		Shareholding Through Nominees		10 Largest Shareholders is Related Party or A Relative Within The Second Degree of Kinship of Another		Note
	Shares	shareholding ratio	Shares	shareholding ratio	Shares	shareholding ratio	Name	Relationship	
HSU MING-CHE	6,137,271	6.88%	4,019,675	4.50%	0	0%	CHEN LI- FEN CHIEFTEK PRECISIOIN CO., LTD.	Spouse General Manager of the company	
XINZHIDE INVESTMENT CO., LTD. Representative: CHEN LI- FEN	4,545,100	5.09%	0	0%	0	0%	CHEN LI- FEN	Chairman of the company	
CHEN LI- FEN	4,019,675	4.50%	6,137,271	6.88%	0	0%	Note 1	Note 1	
CHEN LI- FEN	4,019,675	4.50%	6,137,271	6.88%	0	0%	Note 1	Note 1	
DAVID ENTERPRISE CO., LTD. Representative: HSU RUI-ZHU	3,682,553	4.13%	0	0%	0	0%	None	None	
GUANGMING PUYUAN INVESTMENT CO., LTD.	2,381,100	2.67%	0	0%	0	0%	CHEN LI- FEN	Chairman of the company	

Representative: CHEN LI-FEN	4,019,675	4.50%	6,137,271	6.88%	0	0%	Note 1	Note 1	
YIJHIHDE MANAGEMENT CONSULTING CO., LTD.	2,238,040	2.51%	0	0%	0	0%	CHEN LI- FEN	Chairman of the company	
Representative: CHEN LI- FEN	4,019,675	4.50%	6,137,271	6.88%	0	0%	Note 1	Note 1	
CHIEFTEK PRECISION CO., LTD.	2,000,000	2.24%	0	0%	0	0%	CHEN LI- FEN HSU MING-CHE	Chairman of the company General Manager of the company	
Representative: CHEN LI-FEN	4,019,675	4.50%	6,137,271	6.88%	0	0%	Note 1	Note 1	
DENENG SUNSHINE INVESTMENT CO., LTD.	1,554,751	1.74%	0	0%	0	0%	CHEN LI- FEN	Chairman of the company	
Representative: CHEN LI- FEN	4,019,675	4.50%	6,137,271	6.88%	0	0%	Note 1	Note 1	
LI AN	1,507,752	1.69%	0	0%	0	0%	None	None	
WANG CHANG- FENG	1,498,552	1.68%	0	0%	0	0%	None	None	

Note 1 : CHEN LI- FEN and the top ten shareholders have a relationship with each other or a relative within a spouse, second parent, etc., their names or names and relationships are as follows:

Name	Relationship
HSU MING-CHE	Spouse
XINZHIDE INVESTMENT CO., LTD.	Chairman of this company
GUANGMING PUYUAN INVESTMENT CO., LTD.	Chairman of this company
YIJHIHDE MANAGEMENT CONSULTING CO., LTD.	Chairman of this company
CHIEFTEK PRECISION CO., LTD.	Chairman of this company
DENENG SUNSHINE INVESTMENT CO., LTD.	Chairman of this company

X. Number of share hold for the same reinvestment business by the company’s directors, manager and the company’s directly or indirectly controlled business, and combined calculation of the comprehensive shareholding ratio

March 31, 2024; Unit: Share; %

Investments in Other Enterprises (Note)	The Investments by the Company		The Investments by Director, Supervisor, Manager or Directly or Indirectly controlled		Total investment	
	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)	Number of Shares	Shareholding (%)
CHIEFTEK PRECISION HOLDING CO., LTD.	5,100,000	100.00	-	-	5,100,000	100.00
CHIEFTEK PRECISION (HONG KONG) CO., LTD.	927	100.00	-	-	927	100.00
CHIEFTEK PRECISION USA CO., LTD.	1,660,000	100.00	-	-	1,660,000	100.00
Chieftek Machinery Kunshan Co., Ltd	Non-joint-stock system	100.00	-	-	Non-joint-stock system	100.00
cpc Europa GmbH	Non-joint-stock system	100.00	-	-	Non-joint-stock system	100.00
Chieftek Precision International LLC	Non-joint-stock system	100.00	-	-	Non-joint-stock system	100.00

Note 1: Refers to long-term investments evaluated using the equity method adopted by the Company.

Note 2: CHIEFTEK PRECISION (HONG KONG) CO., LTD. was approved for deregistration by the Hong Kong Registrar of Companies on February 3, 2023.

IV. FUNDRAISING CIRCUMSTANCE

I. Capital and Shares

(I) Capitalization

Unit: NT\$ in thousand; share in thousand

Month /Year	Issue Price	Authorized Share Capital		Paid-in Share Capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
1998.10	10	500	5,000	500	5,000	Cash establishment of capital stock	None	Note 1
1999.10	10	2,500	25,000	2,500	25,000	Increment of cash NT\$20,000 thousand	None	Note 2
2000.4	10	4,120	41,200	4,120	41,200	Increment of cash NT\$16,200 thousand	None	Note 3
2000.9	10	9,900	99,000	9,900	99,000	Increment of cash NT\$57,800 thousand	None	Note 4
2001.7	10	15,000	150,000	15,000	150,000	Increment of cash NT\$51,000 thousand	None	Note 5
2002.7	10	21,000	210,000	21,000	210,000	Tech stock NT\$ 60,000 thousand	Tech stock 6,000 thousand shares	Note 6
2003.8	18	27,000	270,000	27,000	270,000	Increment of cash NT\$ 60,000 thousand	None	Note 7
2003.10	18	29,000	290,000	29,000	290,000	Increment of cash NT\$20,000 thousand	None	Note 8
2004.1	18	36,000	360,000	34,000	340,000	Increment of cash NT\$50,000 thousand	None	Note 9
2004.3	18	36,000	360,000	36,000	360,000	Increment of cash NT\$20,000 thousand	None	Note 10
2009.12	30	50,000	500,000	36,056	360,560	Increment of cash NT\$560 thousand	None	Note 11
2010.11	10	50,000	500,000	37,859	378,588	Capital increase by transferring of surplus NT\$18,028 thousand	None	Note 12
2011.9	10	50,000	500,000	40,888	408,875	Capital increase by transferring of surplus NT\$30,287 thousand	None	Note 13
2011.12	83	50,000	500,000	43,388	433,875	Increment of cash NT\$25,000 thousand	None	Note 14
2012.04	24	50,000	500,000	44,008	440,079	Employee stock options NT\$6,204 thousand	None	Note 15

Month /Year	Issue Price	Authorized Share Capital		Paid-in Share Capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Other
2012.10	10	50,000	500,000	48,409	484,087	Capital increase by transferring of surplus NT\$44,008 thousand	None	Note 16
2013.01	40	80,000	800,000	53,042	530,417	Increment of cash NT\$46,330 thousand	None	Note 17
2013.02	24	80,000	800,000	53,297	532,973	Employee stock options NT\$2,556 thousand	None	Note 18
2013.09	10	80,000	800,000	55,962	559,622	Capital increase by transferring of surplus NT\$26,649 thousand	None	Note 19
2014.03	24	80,000	800,000	56,208	562,086	Employee stock options NT\$ 2,464 thousand	None	Note 20
2014.06	10	80,000	800,000	59,019	590,190	Capital increase by transferring of surplus 28,104 thousand	None	Note 21
2014.12	24	80,000	800,000	59,234	592,338	Employee stock options 2,148 thousand	None	Note 22
2016.08	10	80,000	800,000	62,045	620,455	Capital increase by transferring of surplus 28,117 thousand	None	Note 23
2018.02	10	80,000	800,000	59,045	590,455	Treasury share reduction 30,000 thousand	None	Note 24
2018.08	10	80,000	800,000	73,807	738,069	Capital increase by transferring of surplus 147,614 thousand	None	Note 25
2019.09	10	150,000	1,500,000	81,188	811,875	Capital increased by transferring of surplus 73,087 thousand	None	Note 26
2022.09	10	150,000	1,500,000	89,262	892,619	Capital increased by transferring of surplus 80,743 thousand	None	Note 27

Note 1: Approval of JY Zi No. 87340468 of Construction Bureau of Taipei City Government on October 19, 1998.

Note 2: Approval of BJSSE Zi No. 88345971 of Construction Bureau of Taipei City Government on October 25, 1999.

Note 3: Approval of BJSSE Zi No. 89280975 of Construction Bureau of Taipei City Government on April 28, 2000.

Note 4: Approval of BJSSE Zi No. 89325503 of Construction Bureau of Taipei City Government on September 27, 2000.

Note 5: Approval of J(2001)S Zi No. 09001228200 of Civil Services of Doc, MOEA on July 3, 2001.

Note 6: Approval of J(2002)S Zi No. 09101304180 of Civil Services of Doc, MOEA on July 31, 2002.

Note 7: Approval of JSZ Zi No. 09232488100 of Civil Services of Doc, MOEA on August 8, 2003.

Note 8: Approval of JSZ Zi No. 09232808800 of Civil Services of Doc, MOEA on October 20, 2003.

Note 9: Approval of JSZ Zi No. 09331593930 of Civil Services of Doc, MOEA on January 29, 2004.

Note 10: Approval of JSZ Zi No. 09331877650 of Civil Services of Doc, MOEA on March 29, 2004.

Note 11: Approval of NS Zi No. 0980028767 of Southern Taiwan Science Park Administration on December 25, 2009.

Note 12: Approval of NS Zi No. 0990024356 of Southern Taiwan Science Park Administration on November 5, 2010.

Note 13: Approval of NS Zi No. 1000023845 of Southern Taiwan Science Park Administration on September 23, 2011.
 Note 14: Approval of NS Zi No. 1000029971 of Southern Taiwan Science Park Administration on December 6, 2011.
 Note 15: Approval of NS Zi No. 1010007820 of Southern Taiwan Science Park Administration on April 6, 2012.
 Note 16: Approval of NS Zi No. 1010026797 of Southern Taiwan Science Park Administration on October 30, 2012.
 Note 17: Approval of NS Zi No. 1020000730 of Southern Taiwan Science Park Administration on January 11, 2013.
 Note 18: Approval of NS Zi No. 1020003932 of Southern Taiwan Science Park Administration on February 18, 2013.
 Note 19: Approval of NS Zi No. 1020022718 of Southern Taiwan Science Park Administration on September 11, 2013.
 Note 20: Approval of NS Zi No. 1030007680 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on March 28, 2014.
 Note 21: Approval of NS Zi No. 1030022837 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on September 5, 2014.
 Note 22: Approval of NS Zi No. 1040001256 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on January 15, 2015.
 Note 23: Approval of NS Zi No. 1050023001 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on September 07, 2016.
 Note 24: Approval of NS Zi No. 1070006680 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on February 27, 2018.
 Note 25: Approval of NS Zi No. 1070023518 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on August 14, 2018.
 Note 26: Approval of NS Zi No. 1080025362 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on September 16, 2019.
 Note 27: Approved of NS Zi No. 1110027282 of the National Science and Technology Commission Southern Science Park Administration on September 13, 2022.

(II) Shares and Capital

March 29, 2024/Unit: per share

Types of Shares	Authorized Share Capital			Note
	Outstanding Stock (Note 1)	Unissued Stock	Total	
Common stock (stock of over-the counter stock)	89,261,804	60,738,196	150,000,000	Limit of employee stock options 3,000,000 Shares

Note 1: Shelf Registration system related information: Not applicable.

(III) Composition of Shareholders

March 29, 2024/Unit: per share

Shareholder structure Number	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions & Foreigners	Amount
Number(people)	0	0	47	11,096	42	11,185
Shareholding Number(share)	0	0	23,733,958	62,560,395	2,967,451	89,261,804
Shareholding Percentage	0.00%	0.00%	26.59%	70.09%	3.32%	100.00%

Note: There is not any investment involved from Mainland China in the Company.

(IV) Distribution Profile of Share Ownership

March 29, 2024/Unit: per share

Shareholding Interval	Number of shareholders	Shareholding Number (share)	Shareholding Percentage (%)
1 ~ 999	3,551	749,472	0.84%
1,000 ~ 5,000	6,284	11,886,182	13.32%
5,001 ~ 10,000	725	5,106,223	5.72%
10,001 ~ 15,000	212	2,568,986	2.88%
15,001 ~ 20,000	100	1,752,791	1.96%
20,001 ~ 30,000	92	2,270,419	2.54%
30,001 ~ 40,000	50	1,725,462	1.93%
40,001 ~ 50,000	23	1,040,871	1.17%
50,001 ~ 100,000	55	3,768,965	4.22%
100,001 ~ 200,000	40	5,431,214	6.08%
200,001 ~ 400,000	22	6,417,914	7.19%
400,001 ~ 600,000	9	4,664,840	5.23%
600,001 ~ 800,000	2	1,211,930	1.36%
800,001 ~ 1,000,000	3	2,787,262	3.12%
1,000,001 the above	17	37,879,273	42.44%
Total	11,185	89,261,804	100.00%

(V) Major Shareholders

The names, number and percentage of the shareholding of the shareholders with a stake of 10 percent or top ten shareholders:

March 29, 2024/ Unit: per share

Names	Shares	Number of shares held	Shareholding ratio
HSU MING-CHE		6,137,271	6.88%
Xinzhide Investment Co., Ltd.		4,545,100	5.09%
CHEN LI-FEN		4,019,675	4.50%
DAVID ENTERPRISE CO., LTD.		3,682,553	4.13%
GUANGMING PUYUAN INVESTMENT CO., LTD.		2,381,100	2.67%
YIJHIHDE MANAGEMENT CONSULTANTS CO., LTD.		2,238,040	2.51%
CHIEFTEK PRECISION CO., LTD.		2,000,000	2.24%
DENENG SUNSHINE INVESTMENT CO., LTD.		1,554,751	1.74%
LI AN		1,507,752	1.69%
WANG CHANG-FENG		1,498,552	1.68%

(VI) Share prices for the past 2 fiscal years, net worth per share, earnings per share, dividends per share, and related information

Item		Fiscal year	2022	2023	As of March, 31, 2024
		Market price of each share (Note 1)	Highest		95.50
Lowest			66.00	61.10	61.90
Average			82.18	74.18	74.48
Net value of each share (Note 2)	Before distribution		27.15	26.25	26.04
	After distribution		25.19	25.47	N/A
Surplus of each share (Note 3)	Weighted average number of shares		87,262	87,262	87,262
	Surplus of each share	Before adjustment	3.91	1.12	0.41
		After adjustment	3.48	N/A	N/A
Dividend per share	Cash Dividend		2.00	0.80	N/A
	Stock grants	Stock Dividend from Retained Earnings	-	-	N/A
		Stock Dividend from Capital Reserve	-	-	N/A
	Cumulative unpaid dividend (Note 4)		-	-	-
Analysis investment reward	Price-earning ration(Note 5)		19.72	62.71	N/A
	Price-dividend ratio (Note6)		38.56	87.80	N/A
	Yield to maturity of cash dividend (Note 7)		2.59%	1.14%	N/A

* In case of the allotment of shares through transfer of surplus or capital reserve to increase the capital, the market price and cash dividend information of the issued shares retroactively adjusted shall be disclosed.

Note 1: List the highest and lowest market price of common stock of each year, and calculate the average market price of each year according to the trading value and trading volume of each year.

Note 2: Please fill in based on the number of shares issued at the end of the year and the resolution of distribution of the board of shareholders in next year.

Note 3: If the retroactive adjustment is required due to stock grants, etc., the surplus of each share before and after adjustment shall be listed.

Note 4: If the issuance condition of equity securities requests the unissued dividend of that year should be accumulated to the issuance of surplus year, the cumulative unissued dividend by the end of current year shall be respectively disclosed.

Note 5: Price-earnings ratio=Average closing price of each share of current year /Surplus of each share.

Note 6: Price-dividend ratio=Average closing price of each share of current year /Cash dividend of each share.

Note 7: Yield to maturity of cash dividend=Cash dividend of each share /Average closing price of each share of current year.

Note 8: The net value of each share, surplus of each share shall be filled in with the data checked (checked and approved) by the accountant in the nearest quarter by the end of print date of annual report, while the rest of field shall be filled in with the data of current year by the end of print date of annual report.

Note 9: The 2023 Surplus Distribution and Cash Dividend was approved by the Board of Directors on February 22, 2024, and will be reported at the Shareholder's Meeting on May 30, 2024.

Note 10: The financial information as of March 31, 2024 has not yet been audited by the CPA.

(VII) The Company's dividend policy and implementation thereof

1. Dividend policy:

The general final accounts of current year of this company shall be distributed according to the following order in case of surplus:

- (1) Pay duties and taxes.
- (2) Cover the deficit.
- (3) Withdraw 10% as the statutory surplus reserve.
- (4) If necessary, withdraw or transfer back the special surplus reserve in accordance with the provisions of laws or competent authorities.
- (5) For the balance after deduction of the amount withdrawn from the above four items, as well as the undistributed surplus of the previous years, the board of directors shall draft a distribution proposal, and submit it to the shareholders' meeting to decide whether to distribute the shareholder dividend or reserve it, but the dividend distribution amount shall not be lower than 20% of the remaining amount after deduction of the profit of current year according to the provisions of above paragraph 1~4.

In order to continuously expand the operation scale, enhance the competitive strength, and cooperate with the company's long-term business development, future fund demand and long-term financial planning, the dividend distribution policy shall give priority to stock dividend and collocation of part of the cash dividend. The cash dividend distribution sum shall not be lower than 10% of the sum of shareholder dividend to be distributed.

2. Implementation status:

According to Article 21-2 of Company's regulation, the Company shall distribute surplus or subsidize loss after the end of half fiscal year in accordance with the Company Act. For surplus distribution, legal surplus reserves should be estimated and kept for taxes in advance, losses should be made up as per the law, and legal reserve should be recognized. When such legal surplus reserves amount to the total paid-in capital, this provision should not apply. Surplus distributed in cash should be resolved by Board of Directors before proceeding; as of distributed by issuing new shares, it should be resolved by Shareholders' Meetings before proceeding.

- (1) The profit distribution plan for the Company's fiscal year 2023 has been approved by the Board of Directors on February 26, 2024. Cash dividend of NT\$0.80 per share will be distributed based on the shareholders' record on the dividend distribution record date. This will be reported and discussed at the shareholder's meeting on May 30, 2024.
- (2) Please see below for 2023 Surplus Distribution Table of the Company.

CHIEFTEK PRECISION CO., LTD.

2023 Surplus distribution table

Unit: NT\$ in dollar

Item	Amount	
	Subtotal	Total
Net income after tax of 2023		\$ 98,041,826
Add: Actuarial incomes of defined benefit plans	(2,610,605)	
Reserved surplus basis		95,431,221
Reduce: 10% legal reserve	(9,543,122)	
Reduce: Special reserve	(570,450)	
Distributable Net Income for this fiscal year		85,317,649
Accumulative distributable Net Income at the beginning of the year		<u>809,658,092</u>
		894,975,741
Distribution Amount		
Dividend to Shareholders- Cash (NT\$0.8 per share)	(<u>69,809,443</u>)	
Subtotal		(<u>69,809,443</u>)
Year-end undistributed Balance		(\$ <u>825,166,198</u>)

Notes:

1. The surplus distribution for this time will give priority to distribution of 2023 surplus.
2. The cash dividend shall be calculated according to the shareholding ratio of shareholders recorded in the shareholders ledger on the dividend distribution base date, until distributed to NT\$1 (neglecting all those less than NT\$1). After the above dividend distribution is passed by the general meeting of shareholders, the board of directors shall be authorized to further arrange the dividend distribution base date and designate special persons for handling all the cash dividend of less than NT\$1.
3. 89,261,804 shares of current capital stock minus 2,000,000 shares of treasury stock equals 87,261,804 shares of outstanding shares.

(VIII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

The Board of Directors of our company passed a resolution on February 26, 2024, to distribute cash dividends for the 2023 fiscal year. There is no proposal for free stock dividends this time, so it is not applicable.

(IX) Remuneration of Employees and Directors:

1. The percentages or ranges with respect to employee, director, and supervisor remuneration in accordance with the Company's Articles of Association:

The Company shall pay employees as the remuneration of 3 to 15 percent of the profitability of the current fiscal year, and shall pay the directors and supervisors as the remuneration of not more than 3 percent of the profitability of the current fiscal year, in accordance with the provisions of the articles of association of the company. However, the company's accumulated losses shall have been covered. The employees' remuneration could be paid in cash or shares, which obtained qualification could include the employees of the subsidiary that meet certain specific requirements, which the certain specific requirements are set up by the board of directors.

2. The basis for estimating the remuneration amounts of employees, directors, and supervisors, the calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

In accordance with the provisions of (2007) JM Zi No. 052 Letter released by Accounting Research and Development Foundation of the Republic of China in March 2007, the Company should regard remuneration of employees, directors and supervisors as the expenses, instead of surplus distribution. For the remuneration of employees, directors and supervisors of current period, if the actually distributed amount through the resolution of the board of shareholders and the estimated amount with discrepancy, it will be regarded as changes in the accounting estimate, and listed as the profit/loss of 2024. Hence, EPS of 2023 has fully reflected the influence on bonus of employees, remuneration of directors, and supervisors on profits, thus this will not affect the estimated calculation of EPS.

3. Remuneration Distribution results approved by Board of Directors:

- (1) The remuneration of employees, directors and supervisors distributed in cash or shares: If there are any discrepancies with the annual estimated amount of recognized expenses, the amount, reason and treatment of discrepancy shall be disclosed:

The Company passed the remuneration of employees and remuneration of directors and supervisors through the resolution of the board of directors on January 16, 2023, shows as following:

- A. The company proposes to distribute employee compensation in the amount of NT\$11,048,450 in cash for the year 2023, which is approximately 7.76% of the profits for the year. This amount is consistent with the recognized employee compensation of NT\$11,048,450 on the balance sheet.

- B. The company proposes to distribute director compensation in the amount of NT\$2,429,690 in cash for the year 2023, which is approximately 1.71% of the profits for the year. This amount is consistent with the recognized director compensation of NT\$2,429,690 on the balance sheet.

- (2) Amount of employee remuneration distributed in shares and proportion occupied in sum of un-consolidated or individual financial reporting profit (loss) for the year and total amount of employee remuneration of current period: The cash method is adopted for this time, therefore it is not applicable.

4. Status of actual distribution of remuneration of employees, directors and supervisors of the previous year (including the number of shares distributed, amount and share price), any discrepancies with the recognized remuneration of employees, directors and supervisors, and detailed description of amount, reason and treatment of discrepancy:

- (1) Employee bonus actually distributed by the Company in 2022 was NT\$18,500,000.

- (2) Remuneration of directors and supervisors actually distributed by the Company in 2022 was NT\$4,000,000.

- (3) The original board of directors passed the employee bonus, remuneration of directors and supervisors of 2022, and such remuneration had distribute to employees, directors and supervisors; meanwhile, the proposed distribution amount passed by the original board of directors was same with the actually distributed amount.

(X) Stocks repurchases of the Company:

1. Stocks repurchases of the Company (Those who have been executed)

March 31, 2024

Repurchase time	The First Period	The Second Period	The Third Period
Repurchase purpose	Transfer shares to employees.	Transfer shares to employees.	Transfer shares to employees.
Repurchase period	November 12, 2014 to January 9, 2015	March 23, 2020 to May 20, 2020	September 12, 2022 to November 29, 2022
Price range of repurchase	NT\$22.30 to NT\$50.40, as the share price of the Company was lower than the price range of the lower limit, the Company continued buy-back.	NT\$37.25 to NT\$131.00, as the share price of the Company was lower than the price range of the lower limit, the Company continued buy-back.	NT\$46.20 to NT\$100.00, as the share price of the Company was lower than the price range of the lower limit, the Company continued buy-back.
Types and amounts of shares that repurchased	Common stock of 3,000,000 shares	Common stock of 445,000 shares	Common stock of 2,000,000 shares
Amount of shares that repurchased	NT\$118,543,503 (average buyback price per share is NT\$39.51)	NT\$26,550,420 (average buyback price per share is NT\$59.66)	NT\$147,569,895 (average buyback price per share is NT\$73.78)
Percentage of the repurchased stock in the estimated purchase share	100.00%	8.90%	100.00%
Quantity of shares having already been handled with elimination and transfer	Common stock of 3,000,000 shares (Note 1)	Common stock of 445,000 shares	0
Quantity of shares of this company cumulatively held	0	0	2,000,000 shares
Ratio (%) of quantity of shares of this company cumulatively held in total shares issued (Note 2)	0%	0%	2.24%

Note 1: Elimination of 3,000,000 shares mentioned above was approved to change registration process on February 27, 2018 by Management Bureau of Southern Taiwan Science Park.

Note 2: Company repurchasing stocks still in execution: none

II. Handling status of Corporate Bonds: None.

III. Special stock handling circumstance: None.

IV. Handling circumstance of global depository receipts (GDR): None.

V. Employee subscription right voucher and circumstance of restriction on handling the employee right offering:

1. Status of the company's employee stock option certificates that have not yet expired: None.
2. Names of managers who have obtained employee stock option certificates and the names of the top ten employees with the number of shares that can be subscribed to the certificates until the date of publication of the annual report: None.
3. In the most recent year and as of the publication date of the annual report, the handling of new shares with restricted employee rights: None.

VI. Circumstance of handling of new issue of shares with merger or assignee of other corporate: None.

VII. Implement of fundraising circumstance:

The Company has no any each uncompleted public issue or private placement of securities, or to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits

V. OPERATIONAL HIGHLIGHTS

I . Business Content

(I) Business scope:

1. Business scope:

(1) Main content of the operating business:

CB01990 other mechanical manufacturing industry.

F401010 international trade.

Research, develop, manufacture and sell the following products:

A. Miniature and standard type linear guide.

B. linear motor.

C. torque motor.

D. Concurrently engaged in international trade related to the above products.

E. Server driver.

F. linear motor module.

G. rotation stage.

H. Sub-system

I. Six-axis robotic arm

J. Software PLC

K. Robot gripper.

L. Automatic tool changer system.

M. Automation solution.

(2) Business percentage:

Unit: NT\$ in thousand

Product Name	2023		2022	
	Amount	%	Amount	%
Linear Guide	1,007,115	93.71%	1,557,910	95.24%
Linear Motor	66,615	6.20%	77,334	4.73%
Other	1,024	0.09%	535	0.03%
Total	1,074,754	100.00%	1,635,779	100.00%

(3) Commodity (service) items of the company at present:

cpc provides the following products and services for cpcCells, cpcRobot, and cpcStudio:

A. cpcCells

(A) Linear rails

(B) Linear motors

(C) Torque motors

(D) Multi-function servo drives

(E) Linear modules

B. cpcRobot

(A) S0 collaborative robot arm

(B) DB0 industrial robot arm

(C) Robot grippers

(D) Automatic tool changers

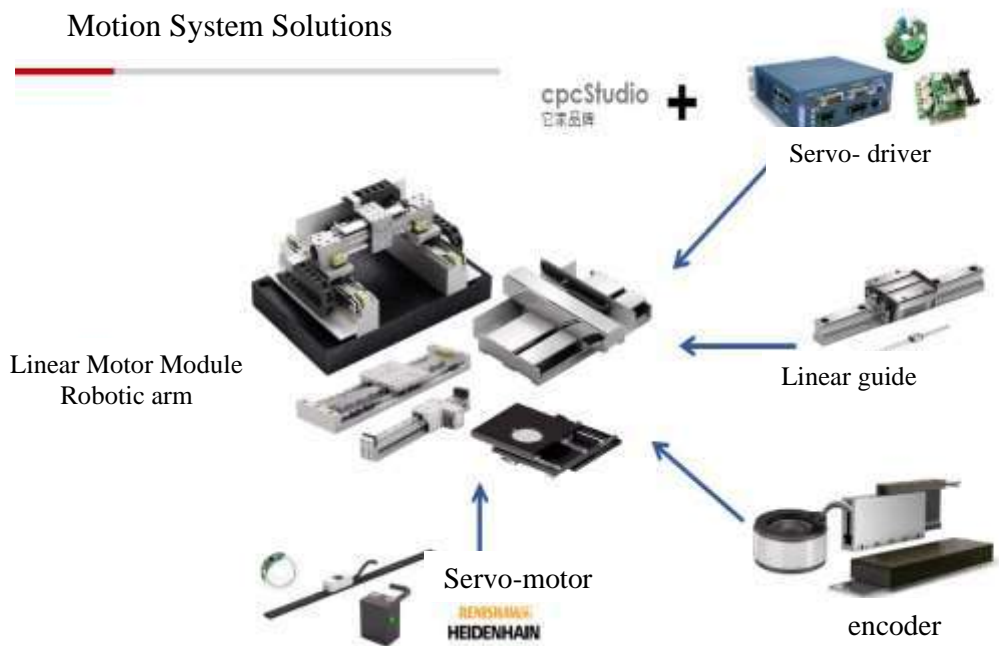
(E) Joint module

(F) cpcStudio supporting x86 systems

C. cpcStudio

(A) Software PLC

- (B) EtherCAT master
 - (C) Motion library
 - (D) Robotic library
 - (E) Modbus server
 - (F) OPC-UA server
- (4) New products (services) that are planned to be developed:
- A. Implementation of automation solutions.
 - B. Joint module.
 - C. cpcRaspberry pi
 - D. Depth camera
 - E. Robot vision



2. Industry Summary

(1) Current status and development of the industry

A. Linear Guide

The Linear guide is low friction component that takes the linear motion rolling bearing and guidance as the purpose. The characteristics of the linear guide superiority lie in high load capacity, high service life, high precision, high rigidity, high speed, low friction resistance, small energy consumption small space, standardization, and low cost.

In the linear motion, the linear guide is main component for load bearing and linear guidance. As the industry has increasing requirements for yield rate, speed and space application, etc., the linear guide must have high load capacity, small energy consumption, small space, standardization, low cost and other conditions to meet the industry requirements.

(A) **The linear guide can be divided into the following according to different rolling elements:**

- Ball type linear guide.
- Roller type linear guide.

(B) **According to the size, it can be divided into:**

- Miniature linear guide (size: 1, 2, 3, 5, 7, 9, 12, 15).
- Standard linear guide (size: 15, 20, 25, 30, 35, 45, 55, 65).
- Ultra-large linear guide (size: 85, 100, 125).

- Wide linear guide (size:17, 21, 27, 35).

Based on different areas and different types of industries, the linear guide is widely used in the straight-line motion mechanism of precision machinery and equipment, automation equipment, medical instrument, food and aerospace science and technology equipment, etc. Because of the rapid development of mobile phones, tablets and other portable 3C products, the application of its main manufacturing equipment and non-standardized automation equipment is continuously increasing as well as the requirement of precision and efficiency. In addition, with the progress of medical technology and other precision equipment, the application of micro machinery is also relatively increasing, and the space application and precision of miniature linear guide in space also become relatively important. Therefore, the linear guide has a significant impact on precision, efficiency, quality and cost, etc. of equipment and production.

As the linear guide is applied to all mechanical equipment needing the linear actuation, each manufacturing industry belongs to the application range.

(C) Classified by characteristics:

- High precision: Tool room machine, measuring instrument, semiconductor equipment.
- High speed: Automation machinery and equipment, tool room machine, electronic industry machinery, packaging and printing equipment, optoelectronics industry.
- High load: Large-scale tool room machine, shock absorption system.
- High rigidity: Tool room machine.
- Miniaturization: Semiconductor equipment, electronic machinery, biotechnology, medical equipment, optoelectronics industry.
- Low noise: Semiconductor equipment, electronic machinery, mechanical arm, measuring instrument.
- Low cost: General industry, mechanical arm, handling machinery.

Those belonging to the bulk include the tool room machine industry, automation industry, semiconductor packaging equipment, LCD panel and solar cell process equipment, electronic machine, testing and measuring equipment, biomedical instrument, handling equipment, printing machine, wood-working machine, etc.

In 2017, the requirement of new living industry such as 3C products and electric car market is increasing, that brings development of related industry. The equipment required by those industry processing belongs to high-end equipment. The automation of Industry 4.0 has been developed naturally in the market. The performance and reliability of equipment required by either automation equipment or high level industry is stricter, therefore the requirement for accuracy, durability, reliability of key components is improved relatively. It means the price is not the only requirement of key components, but also include reliability and quality which will be the one of key index.

B. Electronic and mechanical components: Motor (Generators)

The motor has a very wide range of types, which is closely related to our daily life, such as 3C and electrical appliances, industrial products of motor vehicles, aerospace, medical, electronics, automatic tools, machines and equipment, etc., that are absolutely necessary.

It can be roughly divided into induction motor, step motor, servo motor, linear motor and even micro motor according to the type, with the power varying from mini Watt to mega Watt.

The advantages and disadvantages of motor performance can be judged from: motor

constant (specific value of power/heat), power density (specify value of power/volume), insulating property, waterproofness, durability, reliability, etc.

The latest development trend of motor is intelligent motor currently, which is the new type products accompanied with Industry 4.0. It combines driver and motor, that different from put drivers into power control chest which cause increased space required by room layout and wiring layout. The strengths of combination of both by intelligent motor is as follows: system layout is more specific (can correspond to the driver – motor clearly), flexibility of layout is higher, simplification of the wiring work and saving space in adaptation box. There are these types of products on the market now.

In terms of size requirements, small-size motors has continually been the development trend in the industry. Therefore, small motors can be used flexibly with a harmonic reduction gear, and make the production of products in the robot, PCB industry and semiconductor process equipment more extensive with higher space utilization rate.

C. Controlling components:

Such components include frequency converter, driver, controller (cards), PLC and other accessories, such as communication adapter card, security system module, power supply, relay, switch, wire and cable, etc. The development of controller was focus on processing technique in the past, however, industry 4.0 emphasizes integrating “existing” industry-related techniques, data exchanging ability among equipment and process ability of data analysis, and controlled by intelligence. Therefore, the way it shows on products, that the trend of development will rely on the collection and analysis of big data, compatibility between equipment from different brands with fast communication and good communication quality (low noise interference), enhancement of default functional development of machinery (for example: more customized function that allowed users to setup “condition-reaction” openly, software module function that easy to use, and so on) to process the received information in time and make the purpose of smart control. In term of the development trend, controller need to provide the users with a complete IDE to edit, compile and debug, and with the function to integrate third-party cooperative tools in visualization and communication to meet the basic needs of multi-function equipment.

D. Sensing components:

There are such components like human’s nerve, including encoder, image recognition, accelerometer, gyroscope, strain gauge and other components known by the public, and there are all other components that can sense the information from different sources and analyze to conclude into available signals. With the development of technology, the innovation of this aspect quickly changes at a tremendous pace and is limitless. In terms of precision and the higher resolution came with the semiconductor manufacturing process, the volume need to be refined with lower energy consumption is the goal to respond the energy efficiency operation of many sensors in a factory. With development trending of Industry 4.0, sensing components of various types, better precision and multi-signal transmitting format are required to meet requirements of automation equipment and intellectual factories.

E. Mechanical components:

Bearing guidance components: Bearing, linear guide.

Power transmission components: Gear, rack, belt, oil and gas pressure cylinder and balls crew.

There are many other components with different properties, such as locking joint, leak-proof, braking, spring, etc.

F. Linear module:

The linear motion module, as the name suggests, is an integrated platform for

performing linear motion, and can be divided into servo motor, stepping motor, linear motor, pneumatic and hydraulic, depending on the driving element. Among them, the linear modules that use rotary motors include belts, screws, and racks as transmission elements. The accuracy, speed, and style of linear modules are increasingly demanded on the market today. Among them, the linear modules that use rotary motors include belts, screws, and racks as transmission elements. The accuracy, speed, and style of linear modules on the market today, which increasingly demands the yield, productivity, and design of automation of various industries. Therefore, the linear motor module has gradually become the only choice for high-speed and high-precision applications; generally speaking, the maximum speed of the linear motor module can reach 10 m/s, and the repeatability is at least less than 1 μm . Moreover, the linear motor requires less wear parts, which has great advantages in dust emission, operating reliability and life. It will be an irreplaceable product in the semiconductor and biomedical industry as well as upgrade of panel specifications.

G. Robotic arm:

Key components are an important foundation for the development of industrial robots, and also the key to determining the quality of industrial robots. Frankly speaking, reduction drives and bearings, motors and drives, plus controllers account for more than 70% of the cost of industrial robots. Components are still mainly imported from Germany and Japan. There are indeed some domestic enterprises that have achieved localization, but performance stability, reliability and performance still need to be improved. The development of the manufacturing industry means that the demand for industrial robots has increased because industrial robots can not only improve efficiency and production quality, but reduce labor costs. Currently enterprises have increasingly higher requirements for industrial robot performance in order to further improve production efficiency and products Quality, so high-speed, high-precision and smart modular industrial robots are the primary development trend.

Not only can miniature robotic arms perform high-precision operations, but also achieve the current demand of human-robot collaboration due to its miniature size. Although the market of miniature robotic arms is still budding, customer inquiries have drastically increased recently with the significant trend of industrial micromation. We are optimistic that the market will march to a period of skyrocketing growth. After the educational market in the past three years, we expect that marketing and marketing-expanding will become cpc's focus on business.

Factory automation and even intellectualization have become an inevitable trend in the industry. In order to be able to flexibly use existing sites, robotic arms have become an indispensable requirement. Especially in recent years, the shortage of labor and the impact of the COVID-19 pandemic have made the robot industry develop vigorously and demand worldwide. It has also increased year by year. According to statistics provided by the International Federation of Robotics (IFR), although the use of robotic arms in China has decreased by 2% in 2020 due to the spread of COVID-19, such an extent is already a positive result, which can be expected that starting from 2021, the robot industry will have a turning point under the economic recovery of the United States and Europe, and the strong demand will drive the sales of components and finished products to grow significantly. At present, the five major trends in the robot industry are: 1. Smart learning. 2. Autonomous movement. 3. Introduce new markets. 4. Energy saving. 5. Reduction of manual dependency. The company has always been a key player in the industrial supply chain, and will use self-developed DD motors, mechanical components, drives, and encoders to provide small-scale robotic arms in the market. It can be clearly expected in energy saving, mobility, and new market applications. There is a lot of demand, so miniature robotic arms will be a major trend

in future market demand.

With the widespread use of robotic arms, there are also more corresponding grippers and automatic tool changers available in the market, all for the purpose of enabling the robotic arms to perform multiple tasks. In terms of grippers, there are options such as finger-type, suction-type, and soft grippers, depending on the characteristics of the objects to be handled. Finger-type grippers are most suitable for heavy objects with a certain degree of hardness on the surface, while suction-type ones are more suitable for large area, light load objects. Soft grippers are more suitable for irregularly shaped objects, as they use a soft and flexible material to wrap around the object. Therefore, grippers have become one of the key development areas in the current robotics market.

H. PLC

PLC (Programmable Logic Controller) is the main upper controller of automatic industrial control. A complete PLC basically includes power module, control module (CPU, memory, communication), input and output module, and communication module. Traditional PLC manufacturers have their own specific hardware to integrate all the above modules. According to a survey by market research agency 360 Research, the total output value of global PLC in 2018 is nearly US\$12.4 billion, of which Europe, the Asia-Pacific region and North America are the main consumer markets, and because of the advent of the Industrialization 4.0 era, it is estimated that it will grow to US\$15.9 billion in 2026.

In terms of application and complexity, it ranges from single-machine small PLC to large-scale systems such as petrochemical industry, heavy industry and other plant equipment applications. In addition, in terms of real-time, it can also be divided into non-real-time control, such as petrochemical industry applications, and real-time control, such as precision motion control applications.

With the increasing degree of industrial automation and intellectualization, the demand is growing and becoming more diverse. The automation equipment is gradually moving towards a multi-process integrated system. Therefore, the small hardware PLC with DSP or FPGA as the computing core can no longer meet the requirements of increasingly complex systems. Most of the solutions at this stage will use industrial computers (IPC) as the main body to integrate and process various module functions, such as: HMI, visual recognition, PLC, motion control, etc., and then integrate specific communication protocols and PLC and various other devices to perform the operation and data processing of each device. In the sub-process, it also began to evolve from a single-machine PLC to a control platform that can connect various devices to achieve integration of the whole plant and realize automation; the performance of industrial computers has been continuously improving. The modular construction of PLC and other device software on the control platform of the industrial computer has become the trend of whole-factory automation with multi-process integration.

- (2) Relevance of industry upstream, midstream, downstream
 - A. Upstream: Raw material: Alloy steel / Stainless steel / Copper wire / Magnet.
Processing: Cold drawing, forging, heat treatment, precision cutting processing, PCB panel layout processing, SMT assembly.
Material: Precision ball, roller, precision injection molded parts, electronic component (IC component, passive component).
 - B. Midstream: Manufacturing of linear motion components.
Linear guide, ball screw, linear motor, linear module / stage.
Supporting industry: Mold designing and manufacturing, specialize processing machines.
Precision spindle, high frequency spindle, controller, driver.
 - C. Downstream: Machine tool industry, automation industry, semiconductor industry.
LCD panel and solar cell industry, electronic industry.
Medical and biotechnology industry, optical instrument industry .
Aerospace and national defense industry, general machinery industry.
3. Various development trends and competitions of products

- (1) Development trend of products

In order to meet the requirements of customers on the market, Chieftek Precision will use its own research and development energy to integrate its own key components and develop linear motor modules and DD motors in different application industries, and continue to extend the product lines to the control side, and development of converting the local area network communication to EtherCAT format, and now the miniature robot arm, which has launched a unique market, provides users with new specifications to choose from, which is no longer limited by the pre-existing size, and realizes the optimal design of the automation system; the software PLC part, based on the form of IDE, gives customers the greatest degree of freedom of choice during the process of system setup. Regardless of the size of the project, the form of control, hardware storage space and cost considerations, they can have more flexibility in system autonomy:

- A. Linear guide:

Due to the wide application of linear guide, more and more specifications and sizes are required. The standard products on the market currently have a width of 1-65 mm, including the entire biomedical, semiconductor, machine tool and transportation engineering, and it also has extension of the metal type that can work under environment of high temperature and vacuum, ultra-low type with low center, ultra-long type with higher rigidity and linear guide rail with no return channel for limited travel to meet different applications of linear guide. In terms of precision, it has also reached a high-precision specification with a 4 meter long, with running precision of less than 10 μm ; at this stage, CHIEFTEK PRECISION has successfully mass-produced a 2 mm-sized miniature linear guide and has a place in medical instruments.

- B. Linear motors and modules:

Due to the direct drive system, linear motors are favored by equipment manufacturers with high production capacity and high precision requirements, and the market acceptance is getting higher and higher. Although the deal on the market is gradually going with the entire linear motor module, there are still many experienced customers choosing to assemble components on their own. Moreover, the iron-core type and the ironless type have their own suitable markets. For example, the ironless type has smoother speed ripple because of its non-toning power characteristics, which is particularly suitable for scanning, and because the suction force between the moving stator is 0, the volume of the mechanism can be reduced and the space is saved; and the ironcore type has the advantage of high thrust density, which is suitable for the occasion of point-to-point movement.

The electromechanical development blueprint of CHIEFTEK PRECISION can be divided into two major manufacturing processes:

(A) Manufacturing process for special industries:

To develop a miniature linear motor module with an overall thickness of less than 10 mm. SMT equipment that requires high production capacity and biomedical testing equipment with high axis count density will be able to easily arrange the modules and build the most linear modules within limited space to execute high density multi-axis control.

(B) High-precision rotation and positioning stage.

As entering the 5G era of communications, the need of accuracy and demand in semiconductor production process will reach to a new peak in the industry.

Furthermore, the improvement of panel quality will also bring about the wide application of micro LED and OLED technology. Linear motor modules have become the vital component for these production processes.

CHIEFTEK PRECISION has been the main service supplier in the market. Regardless it is modules in single-axis, XY platform, hollow optical platform, and gantry-frame linear motor modules, all these CHIEFTEK products have obtained internationally recognized performance certificates and licenses from relevant international manufacturers. CHIEFTEK will cooperate with its customers to develop more specially customized platforms, including vacuum applications, air bearings and even the entire sub-system planning, deepening the depth of technology and expanding the scope of services in this area.

C. Servo driver:

With the arrival of Industry 4.0, it means that the demand for Industry 3.0 will greatly increase, and Industry 3.0 mainly focuses on the capabilities of industrial automation. Therefore, the domestic equipment manufacturers' demand for localized components has increased rapidly. In the international market, CHIEFTEK PRECISION has always been a key component manufacturer of precision machinery. For example, all linear guide, linear motors, linear motor modules, motor servo drivers, and even industrial robots are developed and manufactured by ourselves.

In terms of drive control technology, for linear motor drivers, almost there are no domestically developed products, instead, there are mostly equipped with European and American systems, resulting in a significant reduction in price competitiveness and limited autonomous technology. From practical experience, when using the marketing strategy with European drivers, it is found that the current linear motor market development is usually sold as a completed system. The biggest advantage of this strategy is that customers can maintain a fixed technical contact window, but it is also easy to have restricted price due to closed technology just like Japanese brands, which reduces the competitiveness. In response to this situation, CHIEFTEK PRECISION will use years of experience in electromechanical integration to develop a linear motor driver that truly meets market needs. It can be compatible with not only linear motor modules manufactured by CHIEFTEK PRECISION, but also other linear motors, linear guide and optical scale on the market. With using current selling channels, we has established domestic independent brand of drivers.

In the aspect of machinery communication, to adopt information exchanging capability emphasized by Industry 4.0 trend, in addition CANopen communicative interface in the related-industry, CHIEFTEK PRECISION is also developed the driver equip with EtherCAT communicative interface. With efficient and real-time communication performance, EtherCAT is gradually valued and preferred in the industry. Its bottom layer is the architecture of industrial communication protocol based on the Ethernet, which can support multi-axis real-time control function. In view of this, CHIEFTEK

PRECISION will not only take the driver based on EtherCAT communication as a slave but in the future, we will develop the motion controller with master identity vertically.

D. Driver software function update:

In the recent years, high precision and high speed automation industry has gradually developed. In addition to the highly reliable driver by integrated closed-system manufacturer, due to the high prices, there are more open system linear motor driver which has high compatibility available in the market. The development trend as below:

- (A) Friendly operational environment and medium
- (B) Additional supporting function to enhance the stability and precision of the system.
- (C) Smart information collection and analysis function
- (D) Encoding function
- (E) Mobile language editing
- (F) High-speed EtherCAT internet platform

E. Sensor:

Sensor is like the nerve which makes machine can sense outside and be in charge of message transmission. One of the key link of intelligent industrialized is how to obtain required information and transmit through whole inflation network. So the sensor is the critical component to directly decide whether the data is correct or not; the reliability, resolution and anti-dirt of sensor is the key index of quality. Now CHIEFTEK PRECISION has already developed and mass-produced magnetic position sensing component with resolution up to 0.5μ . In the future, will use the micro mechanic and electronic design to extend application on products such as acceleration ruler, force ruler and sensor-related. Focus of the developing directions is as follows:

- (A) Higher responding.
- (B) Can filter outside noise.
- (C) Origin signal is stable (no noise from its own).

F. DD Motor:

With increasing assembling processing demands of big and unusual shaped components, direct drive rotated component, which is necessary for Axis A and C, is a critical component. CHIEFTEK PRECISION will develop frameless DD motor with 30-210mm of its outer diameter. When users have space and price considerations, they will be able to purchase products with only rotor stators. Of course, depending on needs for different loads, speeds and accuracy, we can also customize most suitable drive rotating stage for each customer. Designed for light loads (e.g. wafer equipment) and high precision. In the future, **cpc** will develop a full range of frameless and framed DD motors, which can be mainly divided into multi-axis articulated robots, machine tools, and automation industries; its main technical threshold is that it can achieve motor efficiency in a limited space with the highest torque and maximum torque, and providing high-speed DD motors according to customer requirements to become a professional manufacturer of rotary direct-drive motors.

G. Communication Transmission Device:

Currently, the automation industry still depends on the higher-level PLCs of famous foreign manufacturers. When the upper-level communication protocol used to transmit commands is not disclosed, users will be forced to use the entire closed system, that the expansion of system, cost and technology reliability are all limited. Therefore, there are signal conversion devices on the market, which translate the original copper communication protocol into a public communication protocol, which enable devices to exchange information flexibly.

H. Six-axis robotic arm

cpc has officially launched the DB0 and S0 micro-robotic arms, both of which have a storage size no larger than an A4 paper, with a positional accuracy of less than 0.01mm.

Since all the components inside the robotic arm are products developed by Direct Technology, paired with highly responsive drives and high-precision encoders, the cpcRobot achieves the highest level of precision, space utilization, and control performance in the industry. The use of robotic arms for automation has shifted from lifting heavy objects or working in hazardous environments to tackling labor-intensive jobs that are no longer attractive to human workers, due to changes in demographics and the diversification of professions. The trend towards automation will only become more apparent, and micro-robotic arms will undoubtedly bring highly efficient, precise, and flexible automation options to the industry.

I. Software PLC

cpcStudio provides an IDE software development platform to push hardware PLC toward software PLC and allows customers to expand and combine other software modules for high integration to meet automation application systems. The development trends are as follows:

(A) Software integration to meet more complex application requirements:

Today's industrial applications such as motion control and visual recognition have rapidly developed into basic package modules, and their computing capabilities need to be supported by higher-end computers. In the IPC control system, the gap between various tool programs can be integrated, including cooperation manufacturer's I/O, HMI human-machine interface, "Vision" vision, "Motion" motion control and Fieldbus network communications, etc., while traditional hardware PLC still needs to use various customized extension methods to deal with these tools. The support for real-time processing is easily limited, and the software PLC can seamlessly support its own and third-party tool programs to help users develop high-complexity applications.

(B) IDEs for standardized programming languages:

The editing trend of the software helps users to develop high-complexity applications. It is done by integrating various device tool programs into an integrated development environment (IDE). Therefore, it is necessary to provide an integrated development environment installed on the IPC and comply with the international standard IEC61131-3 programming language, so that the application system developers can reduce the time necessary to learn other specific programming languages.

(C) RTOS (Real Time Operating System):

The biggest task of RTOS is to use the scheduling execution of CPU to achieve the goal of multi-tasking real-time work. In order to maximize the utilization of CPU performance, virtual cores can be used to transform into multi-core systems, and different configurations can be performed at the same time to improve execution efficiency.

J. The construction of the network communication layer:

As a host controller, it must provide corresponding communication protocols according to different integrated systems to ensure data exchange between devices. Currently, the more common ones in the market are: Modbus, EtherCAT, Ethernet/IP, CClink, etc.

K. Arm Gripper:

The arm gripper is the most commonly used tool in conjunction with the robot arm, used for grabbing, transporting, and handling various objects. In the future, the use of robot arm grippers is sure to become increasingly widespread. Different types of grippers are suitable for different objects, and selecting the appropriate gripper is crucial for improving production efficiency and quality. Currently, they can be divided into three types based on their shape:

(A) Finger-type gripper: Finger-type grippers are usually composed of several

mechanical fingers and can easily grip objects of various shapes. The main advantages of this gripper are high precision, the ability to grasp small objects, and the ability to adjust the grip size by changing the shape of the fingers.

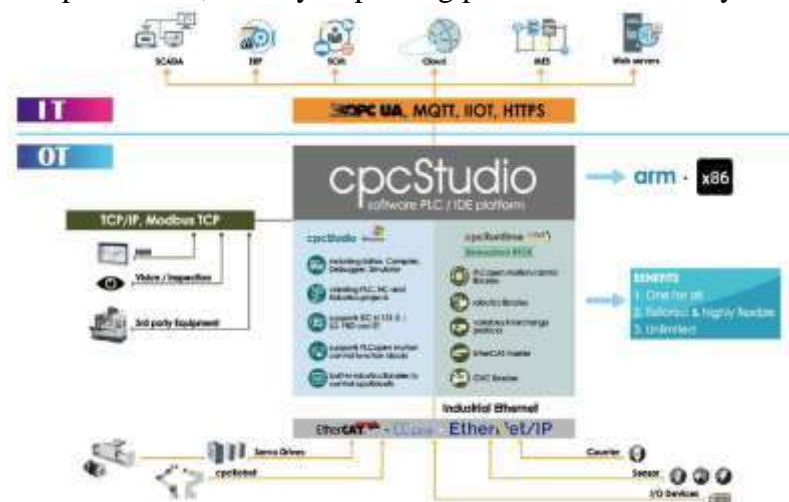
(B) Vacuum gripper: Vacuum grippers usually consist of a hollow suction cup and a pump, which uses vacuum suction to grab objects. They are mainly used to pick up lightweight and thin objects, and the grip size and suction strength can be adjusted by changing the size of the suction cup and the vacuum pump.

(C) Soft gripper: The main feature of a soft gripper is its high flexibility. They are usually made of flexible materials such as silicone and rubber and can handle irregularly shaped objects by directly enveloping them with the gripper's shape.

These three types of grippers are suitable for various different situations, but their purpose is to allow the robot arm to quickly perform different tasks. Therefore, gripper development is becoming more and more prosperous as robot arms are widely applied.

L. Automatic Tool Changing System:

An automatic tool changing system for robotic arms refers to the ability of a robotic arm to automatically change its tool without human intervention. With the development of the manufacturing industry, automated production has become increasingly popular, and the automatic tool changing system for robotic arms has evolved and developed accordingly. The main development directions are multitasking, precision, modularity, and networking, with the aim of making automated processes more direct and comprehensive, thereby improving production efficiency and quality.



(2) Competition

A. Linear guide

The world's first largest linear guide company is Japan's THK, and the second is Germany's Bosch Rexroth, then Schaeffler, HIWIN, IKO, PMI, Schneeberger, **cpc**, NB, etc. The quality leaders are mainly THK, Bosch Rexroth, INA, then IKO, Schneeberger, **cpc**.; while the price leaders are HIWIN, PMI, TBI, etc.

When the linear guide manufacturers continuously increase the company establishment in the mainland with some large factories, in addition to the quality, the price competition is also increasingly fierce. **cpc** has actively put into development of large-scale high load and high rigidity linear guide, and improved the process and design to increase profits. Meanwhile, in response to the fiercely competitive market price, it has also actively developed the high-tech products, such as the linear guide with the miniature size of 1mm and 2mm, to provide the market demand of high precision and micro machine.

B. Linear motor and module

Regarding the development of manufacturing of key components of industry robots, the

products such as encoder, motor component, linear guide and driver are all made by **cpc**. It can combine with the practical application in market to optimize the performance of the parts and components. Moreover, it puts into more efforts in the development of process equipment. While improving the entire scale of volume production, it can reduce the yield rate of products. This can control the entire costs better. Moreover, the core technologies are expanded to customer needs, and better products quality are taken as the primary goal, providing innovative and optimal service for customers.

C. DD Motor

Multi-axis is another aspect of precision processing. To reduce the consumption occurred by the time spend of workpiece turnover and material feed in/out and avoid precision difference and cost spend of core changing. At present, rotary axis of five-axis processing machine use a large number of DD motor progressively to achieve high speed, high precision processing. The structure of DD motor may be imagined the linear motor packaged into one object. Therefore, in the terms of DD motor research and production, it can take over the development experience of linear motor. Which cause the DD motor of CHIEFTEK PRECISION compared with competitor has higher motor performance and reliability. Now **cpc** stresses the optimization of procedure to have more efficient cost control on products. As for specification, in order to deal with workload and size range of robot arms on the market, we will continue developing DD motor with 30mm at the smallest of its outer diameter, cooperating with torque output from harmonic reduction gear which makes more options for robot arms.

D. Sensor

Germany and Japan are the countries with the highest level of automation implementation in the world. As for sensors, which are essential components for automation, they are already quite mature in Germany and Japan. The sensitivity and quality of these sensors are reliable, but their prices are often several times higher than those of sensors from other countries. Among many types of sensors such as force, vision, and distance sensors, in addition to the traditional magnetic linear encoders, absolute optical rotary encoders with higher resolution have also been introduced. These products can be applied to their own machine arms and rotating platforms, which undoubtedly increases the competitiveness of the automation services provided by **cpc**.

E. Servo driver

Currently, Europe and Japan are still the largest manufacturers of linear motor drives in the world, while Taiwan lags far behind manufacturers in Europe, America, and Japan. Linear motor drives require hardware design and special algorithms to match high-response linear motors in order to exhibit excellent dynamic characteristics. Taiwanese manufacturers must bear high technology transfer costs if they want to develop and produce these drives, which reduces their willingness to invest. At present, the main qualities required of linear motor drives are high response, ease of operation, and complete additional functions. Besides these basic quality requirements, brand, price, and service are all equally important. Therefore, the only way to become a global product supplier is to establish their own brand. In order to provide real-time service both domestically and internationally, it is necessary to establish their own service and sales centers by combining with local professional agents and strategic alliances. **cpc** has been continuously developing its own technology, integrating manufacturing and testing capabilities, in order to effectively control costs and quality. The key technologies are all self-developed, so there is no need to pay high technology transfer fees, making their cost competitiveness superior to manufacturers in Europe, America, and Japan. **cpc** has subsidiaries in China, Germany, and the United States, and reliable sales channels in South Korea, Japan, and India, providing customers with more direct and timely technical services. **cpc**'s quality in the international linear motion component market (linear slides, linear motors) has been recognized, and they have accumulated sales channels for a long time. With the addition of this project's driver products, they will be able to expand their industry sector to become a system integrator of electromechanical integration, enhancing the country's competitiveness.

F. PLC and controller

PLC software is a new control method based on PC based control. Users only need to confirm the computer's operating system and CPU to turn the computer into a controller with PLC functions. In order to respond to market demand and implement the investment philosophy rooted in Taiwan, CHIEFTEK PRECISION will continue to invest in talents in related fields to develop software PLC derivative products, such as: IO modules, communication modules, power modules ... etc. Now we have formally transformed into a completely independent research and development system integrator, that we no longer rely on foreign technology. The integrity of products and technical thresholds can be improved, and several benefits brought by its added value will enable CHIEFTEK PRECISION and overall technology industry in Taiwan to be more competitive.

G. Robot Arms

Currently, most robot arms on the market have a minimum size specification of a payload of 3 kg and an arm length of 900 mm or more, which forces users to compromise their designs and makes it inconvenient for spatial configuration, energy consumption, and transportation. However, many leading robot arm manufacturers have started to develop smaller robot arms. Companies from Japan, Canada, and Germany have already produced products with such small specifications, and **cpc** is currently the only domestic manufacturer with autonomous R&D capability in this area.

H. Gripper

In order to make robotic arms capable of handling different tasks, there are manufacturers specializing in designing grippers. Currently, manufacturers from Japan, Germany, the United States, and Canada are the main players in this market. However, **cpc** utilizes its own expertise in mechatronic integration to develop a vacuum suction cup gripper with a built-in pump. Unlike traditional grippers that require an external air supply, this gripper only needs a power supply to utilize vacuum suction to pick up the

corresponding workpiece, greatly increasing the convenience of use for users.

(2) Technology and research and development situation

1. Technological level and research and development of the operated business

As a professional manufacturer of linear motion mechanical and electronic components, CHIEF PRECISION has obtained several invention patents for its products of Taiwan, Mainland China, Germany, the United States and Japan.

The linear guide products have complete size, from size 3(2W) to size 55, all in the range of mass production. Among them, the ball type products are included. Now CHIEF PRECISION is carrying on the mass production of roller type products, ultra-long, ultra-short, wide type products step by step. The products produced take the realization of best function in the same industry as the goal. In the aspect of load capacity, high-speed operation, low-noise design, self-lubrication design, retaining chain design and miniaturization design, CHIEF PRECISION has also reached the above goals.

In terms of linear motor components, we will continue to develop more specifications to directly replace the competitor market as the target. In addition, we have also begun to develop water-cooled iron core linear motors to maximize the thrust of the motor.

In terms of industrial robots, our research and development types include single-axis, double-axis, orthogonal platform, open frame and Gantry Stage systems with speeds up to 10 m/s, acceleration of 10 G, reproducibility of less than 0.3 μm , and movable stroke even up to 8 meters.

As for the DD motor, we aim at the humanoid articulated robot. In addition to developing the DD motor used in the large-diameter machine tool, we have also designed a DD motor with an outer diameter of 30 mm or less, which is very suitable for driving the palm joint motor.

The Company predicts market opportunities for self-driving vehicles and drones, and has successfully developed 48V DC drivers, which are used with mobile power to drive devices with special circuits and power control to output a capacity of more than 1 KW in a small volume. The new development opens another level of product specifications.

In the aspect of controller, the goal design is multi-axis controlling to realize real-time control through EtherCAT. In the first step, the automation industry is settled as the major target market and provide humanized user UI. Helps customers' complete rapid and precision working items with smooth data transmission, high-level operating path plan.

At the beginning of engaging in miniature linear guides, cpc was questioned by the outside world for the developmental capacity of the niche market. The market was filled with curiosity and doubts towards miniature robotic arms. Nonetheless, the available advantages have been discovered gradually with our constant market education in the past three years and the intensive communication with terminal customers. Some precision industries with strict requirements of techniques and precision assembly used to only rely on hand-making. Now, miniature robotic arms with micro-level accuracy and repetition can replace manual operations and achieve automation.

Moving step by step toward becoming a flexible system integrator, cpc not only provides self-made key components, the electromechanical technology services will be the Company's business target in the future. Additionally, we have begun to invest other automation-related industries, cultivate professionals in vision, robots, and human-robot interfaces in order to expand our business territory.

2. Yearly research and development expenditure invested in the most recent five years

Unit: thousands of NTD

Year	2019	2020	2021	2022	2023	2024Q1
Research and development expenditure (A)	72,112	61,232	70,421	73,929	72,493	16,904
Net sales revenue (B)	1,300,351	1,381,885	1,856,920	1,635,779	1,074,754	254,039
Proportion (A)/(B)	5.55%	4.43%	3.79%	4.52%	6.75%	6.65%

3. Successfully developed technology or products in the most recent five years up to the publication date of annual report

Year	Research results
2019	DD Motor System Expansion DC48V servo drive.
2020	UFC super thin linear motor module. EtherCAT Communication adapter box. RP-160 series: frame direct-drive motor. 2 mm super micro linear guide.
2021	A new series of cpcRobot miniature six-axis robotic arms. cpcStudio software PLC/IDE platform.
2022	Robot gripper. Automatic tool changer system. Automation solution.
2023	Robot vision. Robotic arms software. Automation solution.

(3) Long-term and short-term plans for business development:

1. Short-term business development plan

(1) Sales strategy

- A. With good quality services, use self-own brand, **cpc**, for global marketing to gain brand awareness and value as well as recognition from other international brands.
- B. Keep improving area operation function to improve the overall revenues.
- C. Aggressively expand the market to increase the market share.
- D. System integrators are the main areas of business, expanding the on-site technical service network.
- E. Actively promote new products.

(2) Production strategy

- A. Maintain good quality and technology advance for higher level of market competitiveness.
- B. No acceptance, manufacturing and leaking of defects.
- C. Quality improvement is always a non-stop activity for all the company.
- D. Aggressively manufacturing of new products.

(3) R&D strategy

- A. Continue expanding specification range of linear guide and provide service of integrated product line with exquisite technology.
- B. Improve the automation and autonomy degree.

- C. Improve technology and continue to develop new product.
- D. Take Taiwan as the center of core technology and product development.

(4) Operation strategy

- A. By changing from OTC market to TWSE, attract distinguished talents, strengthen training of personnel, and intensify the concept of profession and working.
- B. Implement the quality policy constantly improved to increase the competitiveness of products.
- C. Implement each management system to strengthen the management performance.
- D. Implement performance audit system to enable employees with potential find their best position.

(5) Environment and occupational safety and health policy

- A. Providing a working environment with high quality and available for maintaining physical and psychological health, and reach the goal of no disaster, no accident.
- B. Protect the environment, maintain the natural ecology, and realize the energy conservation and waste reduction.
- C. In accordance with the laws, implement the risk management, prevent the pollution, and carry out 6S activities.
- D. The environmental protection safety is an uninterrupted activity of entire personnel.

2. Long-term business development plan

(1) R&D strategy

- A. Development of new products: high precision positioning system, miniature Linear product development, nanoscale high level servo driver, air-floating and vacuum position system, PLC controller.
- B. Closely work with upstream, midstream and downstream suppliers to improve together.
- C. Implement strength and development of software and hardware to play a long-term role of creator internationally.

(2) Marketing strategy

- A. Conduct global marketing for self-brand **cpc**, to improve brand awareness and value.
- B. Enhance the management of existing customers and establish good interaction.
- C. Continuously strengthen the operation function of each region to improve the overall revenues.
- D. Actively extend market to increase market share.
- E. System integrators are the main business areas, expanding the on-site technical service network.

(3) Operation Strategy

- A. By changing from OTC market to TWSE the the good social image of the Company, attract distinguished talents.
- B. Establish the best management team by enhancing the staff training, internal control, and more refined management structures.
- C. Strengthen the cooperation of the related products and industry.
Implement the industrial division, vertical integration, and strengthen the integration of upstream, downstream industry to establish a powerful product supply chain, and give full play to the advantage of mass production scale economy.
- D. Strengthen the patent layout.

II .Market and Sales Overview

(I) Market Analysis

1. Sales Region of Main Products

Unit: NT\$ in thousands; %

Year		2023		2022	
		Net sales Revenue	Percentage	Net sales Revenue	Percentage
Export	America	196,781	18.31%	225,404	13.78%
	Europe	363,898	33.86%	465,888	28.48%
	Asia	249,781	23.24%	497,878	30.44%
	Others	148,132	13.78%	258,184	15.78%
	Subtotal	958,592	89.19%	1,447,354	88.48%
Domestic		116,162	10.81%	188,425	11.52%
Total		1,074,754	100.00%	1,635,779	100.00%

2. Market share

According to the Customs Administration of the Ministry of Economy, the total export value of ball or roller linear guides for the year of 2023 was approximately US\$497 million. In the same year, our company's consolidated export revenue was approximately NT\$959 million. Based on these figures, the estimated market share of our company in the ball or roller linear guide industry in 2023 was about 6.22%.

3. Supply and Demand Status as well as Growth of Future Market

In the past few years, the global economy has faced multiple risks due to factors such as the pandemic, declining birth rates, labor shortages, inflation and interest rate pressures, the “zero-COVID” policy in mainland China, the Ukraine-Russia conflict, and the US-China trade and technology disputes. Despite this, the increasing importance of robotics applications in various industries has been on the rise, especially with the rise of zero-contact business opportunities and digital transformation in Taiwan.

- (1) In the development roadmap of smart manufacturing, machine tools and robotic arms are critical components, and the manufacturing industry is striving to digitize production experiences as it moves towards smart manufacturing.
- (2) Achieving zero carbon emissions has become a challenge that the manufacturing industry must face. Both large and small enterprises need to invest considerable resources to achieve their zero carbon emission targets.
- (3) From an energy supply perspective, the manufacturing industry needs to reduce overall carbon emissions by using low-carbon or zero-carbon energy. On the other hand, it also needs to improve energy efficiency and reduce energy usage in the manufacturing process. With the emergence and development of “robotics” technology, it not only solves the problem of labor shortage but also enhances the quality and efficiency of machine tool products.

4. Competition Niche

(1) High competitiveness of quality and technology

- A. With the goal of “product quality” and “product function”, **cpc** increase the value added of the products, and controls the cost strictly.
- B. Ample experiences in research and developing, which can quickly adapt to the need of customer and market.

(A) The product competitive advantage, core key technology and main product key technology are described respectively as below:

- a. Unique production and manufacture technology: **cpc**'s product quality is stable, because our patent design could reduce the manufacture cost in processing.
- b. Product R&D capacity advantage: **cpc**'s product is developed and designed by R&D team, and acquires the patent, to make the product functional quality leading in the industry through the quality control of production personnel.
- c. Complete independent R&D in machinery motor specialized technology: R&D team of **cpc** controls the key core technology, with excellent integrating capacity.
- d. Positive input for patent layout: **cpc** has acquired several innovation patents, and shall input the patent layout continuously to protect the technology and intellectual property in the future.
- e. Electromechanical integration system engineering.

(B) Core key technologies of **cpc** are as below:

- a. Bearing technology engineering.
- b. Manufacture processing technology engineering.
- c. Motor technology engineering.
- d. Drive control technology engineering.

(C) Key technologies of main products of **cpc** are described respectively as below:

- a. Miniature linear guide rail
 - (a) Mass production capacity leading in the industry.
cpc had made the mass production of linear guide rail of size 3 in 2004, which was the pioneer in the industry. Moreover, it is making breakthroughs towards the more advanced linear guide rail of size 2.
 - (b) Design leading in the industry
 - i. Embedded patent design:
 - (i.) Greatly simplify the processing, to make the product with absolute competitive advantage in the manufacture cost.
 - (ii.) Make the product extremely micro, unable to cause processing difficulty.
 - (ii) Embedded lubrication pad design: to make the product with permanent lubricating effect.
 - (iii) Exclusive reinforced pad patent design: to make the product running speed reaching 10 m/sec, higher than the general running speed of 3~5m/sec.
 - (iv) Operating smoothness could realize the optimal performance.
- b. Standard linear guide rail
 - (a) Design leading in the industry.
 - (b) German heavy load capacity design: **cpc**'s product mainly adopts the German design, to make the product load capacity higher, and service life longer.

- (c) Reinforcing plate patent design: **cpc** has the unique reinforcing plate design, to make the running speed reaching 10 m/sec.
 - (d) Embedded lubrication pad patent design: to make the product with permanent lubricating effect.
 - (e) Waterproof, iron scrape preventive and sealed design: to make the product running smoothness realizes the optimal performance.
 - (f) Product service life is longer than other competitors.
- c. Ironless linear motor
- (a) Design leading in the industry
 - i. High-efficiency design:
The **cpc** adopts the own researched and developed coil stacking patent technology, with the professional magnetic recording analysis software, to manufacture the maximum motor efficiency of maximum thrust generated under energy consumption per unit of same specification and dimension.
 - ii. Patented heat dissipation design:
With compact internal design matching the heat dissipation patent technology of special material, **cpc**'s linear motor is featured in the heat dissipation of low thermal resistance.
 - iii. High thrust density design:
The **cpc** linear motor featured in high efficiency and low thermal resistance, presents the high thrust in the same dimension compared to the competitor, to make the client saving the needed space for motor installation.
 - iv. Production technology guarantee:
Since the linear motor belongs to the key component of high-precision application industry, all the processes are researched, developed and manufactured by **cpc** own, thus it could indeed control the manufacture quality and quick customized response.
- d. Ironcore linear motor
- (a) Design leading in the industry
 - i. Low-pause-power design / low-adsorption design:
Although the ironcore linear motor has high thrust density compared to the ironless type, there also goes along with the pause power, while the pause power would increase the difficulty in the motor running stability and control; thus, **cpc** adopts the special structure design matching the practice and simulation to realize the ironcore linear motor with low pause power.
The adsorption force of ironcore linear motor with special design structure is below half of that of the industry under the same thrust.
 - ii. Structure design maximum motor constant:
Optimize the ironcore linear motor's structure group, and build the Hall component sensor inside the forcer, to achieve the minimum dimension and high heat dissipation capacity to realize the maximum motor constant.
- e. DD motor
- (a) Highest motor efficiency:
The design of DD motor still takes the maximum motor efficiency as the development goal, which can make the entire system achieve the energy-saving goal effectively.
 - (b) Low cogging:
In the application of ironcore motor, the silicon steel plate will generate cogging when moving from N pole to S pole as the magnetic field has 180-

degree magnetic rotation direction. Generally, it should design the cogging within 2% of rated torque, which can obtain high response for controlling.

(c) Large hollow external diameter:

The application of DD motor mostly fixes the load on the motor. The central hole of DD motor is usually used as the path of flat cable. With the increasing integration of the device, the wiring becomes more and more complicated. In this case, the size of hollow diameter is one of the indicators considered by the user.

(d) Guarantee of production technology:

The performance of **cpc** DD motor is far superior to other competitors in the market. Aside from the leading design, another key is the powerful process that can realize more strict processing conditions than other competitors. Besides the precision machining of fixture, the entire processing devices are self-designed and manufactured. Thus, the production technology is mastered by its own.

(e) Completed Specification:

The target specification is from 30 mm to 210 mm in outer diameter. Each outer diameter has different thickness options, allowing users to choose the DD motor that is most suitable for their mechanism under the same rated torque output, and also for future robotic arms and AGVs as well as drones of market demand, and the design uses 48 Vdc as the main driving power supply.

f. Magnetic encoder

High resolution and high precision: The magnetic encoders CHIEFTEK PRECISION developed which have been able to achieve the resolution up to 0.5 μm , and achieve the precision up to 10 $\mu\text{m}/\text{muse}$ with our own unique calibration method, so we can provide another type of linear encoder in the market.

As for different applications, we have also designed the read head to be able to directly combine with the slide, and even directly read the magnetic pole of the stator for position feedback.

g. PLC and controller

Technology was completely independent development, from the bottom operation system software to UI control interface all can be handled totally. The development will establish efficiency channel onto the good foundation of electromechanical business.

h. Servo Drive

With the demand for mobile machinery has increased significantly (such as AGV, Drone, etc.), increasingly importance has been attached to DC drives, especially with the advent of Harmonic Driver, the maximum speed of the motor itself has also been greatly challenged, so high current drive devices is required to achieve the application conditions at this time. Therefore, CHIEFTEK PRECISION will use fully autonomous technology to develop small-volume, high-power servo drives.

i. EtherCAT transfer box

The device is an EtherCAT motor controller, which replaces the traditional pulse wave signal controlled by PLC, improves the anti-noise ability, enhances the stability of the system, and provides simultaneous conversion support of up to 12 axes. The device communicates with the existing PLC, which obtains the data of the internal components of the PLC, and then converts the corresponding commands, which are transmitted from the EtherCAT of the device to the **cpc**

driver. In addition, the driver information can be collected by EtherCAT and written to the specified PLC component in order to achieve command and feedback the bus signal.

j. Miniature robotic arms

According to the International Federation of Robotics, the five trends for robotic development in 2024 include:

- (a) AI and machine-learning
- (b) New applications of robotic arms
- (c) Diversity of robot controls
- (d) Digital synchronization
- (e) Humanoid robots

In summary, with the enhancing technology of AI production, robotic arms and linear motion components are brought to life and thus create an unprecedented market. The cpcRobot with the new size can make the most of itself just in time with these new applications. Ranging from fundamental industrial application to the public livelihood, the new miniature robotic arms are indeed a foreseeable market demand.

(2) Continuously improve technology and develop new products

A. The **cpc** linear electrical product technology development trends to the “precision”, “speed/efficiency”, “reliability / quality”, “durability/ service time”, “miniaturization / multifunction”, “flexibility / diversity” and “energy conservation / environmental protection”, which are the product development tendency of “big data integration”, “information processing / communication / transmission / confidentiality...”, “remote control”, “AI intellectualization”.

B. In the field of linear motor industrial robots, we have mastered the mechanical experience of the lowest level of critical components and processing technology, and long-term sales channels, we can provide customers with the best solution for their most suitable for its application, and with our plant expansion plan, in order to meet the customer's capacity needs.

C. In today's energy-saving era, the efficiency of the motor is often an important indicator of the use of the factory. Therefore, the motors will extend the patented technology to the development of rotary products based on our development experience of linear motors, in order to improve the efficiency of the motor to the top.

D. Both of controller software which is developed from bottom level, real-time operation system are going to catch up the realization of industry 4.0.

(3) Good service quality

A. Good customer service quality can provide the best foundation for the competitiveness of the Company.

B. Keep good customer relationship to win the trust from the customers.

5. Favorable and unfavorable factors in long term development and the contingent plans

(1) Favorable factors:

With many years of experience in the linear motion component market, **cpc** has developed more diverse, higher-precision and reliable products, which are used in the semiconductor, panel, biomedical, circuit board and automation industries. The products of **cpc**, including software, firmware, and hardware are all independently developed, produced and manufactured.

A. For the Standard linear guide rail, **cpc** mainly adopts the German design, to make the product load capacity higher, and service life longer with many patents, such as the enhanced strengthening plates and built-in oil storage blocks. The patented design allows the product to be extremely minimized to avoid difficulties in processing and

improves the smoothness of the operation. Currently, the 2mm miniature linear slides can be mass-produced.

- B. For linear motors, **cpc** actively invest in linear motors, DD motors, high-precision X and Y platforms by enhancing in system development, design, and manufacturing. The development of upper-level controllers can be used as control platforms for Industry 4.0 with the goal of achieving highly flexible and highly reliable system integration prevent over dependency on foreign manufacturers and reduce the risk of product replaceability.
- C. Unique manufacturing technology.
- D. The mechanical and electrical technology are completely **cpc** self-developed.
- E. Possess core key technologies in engineering domains, such as manufacturing and processing, bearing, drive control and motor.
- F. **cpcStudio** provides IDE software development platform to push hardware PLC toward software PLC and allows customers to expand and combine other software modules for high integration to satisfy the needs of automation application systems.

(2) Unfavorable Factors and Countermeasures

A. Difficulty in high-level talent acquisition and cultivation

Industrial and equipment automation require more high-level research and development and manufacturing talent, but recruiting talent is difficult, personnel stability is insufficient, and labor costs are increasing.

Countermeasures:

- (A) **cpc**'s main technology is developed on its own, thus the internal training mechanism shall be independent; in the handling principle of divided management, clear rights and liabilities, distinct right and wrong, encouraging innovations, and continuing improvements.
- (B) With the excellent brand image of the Company, to attract more talents to join the Company.
- (C) It should promote the welfare system of the Company, to attract and retain the talents.
- (D) Improve level of automation to lower operation by human.
- (E) Adjust wages and increase employee benefits.

B. With severe situation caused by COVID-19, inflation, and pressure from raising interest rates, global economic activities and production pace are disturbed.

Countermeasures:

- (A) Developing smart manufacturing application platforms and expanding collaborations between industry, academia, and research institutions to increase automation and intelligence in production lines.
- (B) Ensuring sufficient long-term funding.

(II) Important Uses and Production Procedures of Main Products:

1. Important Uses of Main Products

(1) Linear guide rail

Mainly apply to the automation industry, machine tool industry, TFT-LCD, photoelectrical manufacture detection and carrier, electronic industry machinery equipment, and semiconductor manufacture detection/packaging/handling equipment, medical instrument, printing and packaging machine, industrial machine and aerospace industry, and national defense industry, etc.

(2) Linear motor

The machinery equipment with output capacity demand are the main selling market of linear motor. Taking the ironless linear motor as example, it has no pause power and has light forcer, which is particularly suitable for the application in the semiconductor industry, panel industry, biochemical technology, laser cutting and automation industry.

While the ironcore linear motor with high thrust and low stator cost is suitable for the application in the automated storage, solar energy industry, laser industry, panel industry, and semiconductor carrier and automation industry.

(3) Driver and linear motor module

At present, the major linear motor goes with the driver in the drive method of one to one, thus the occasion to use the linear motor is also the market of driver and linear motor, which is just different in the using habit and form of the client.

(4) DD motor

It is mainly divided into frameless (DR) and framed (RP) series. The difference between these two types is that the RP series doesn't only have rotator and stator, but also includes bearing, encoder and other processing parts. The entire product is modularized when being provided for user. The market demand of DR series is that the customer can purchase the stator for using when there are special restriction on cost or space, such as the manufacturer of rotation motor and robotic arm. On the other hand, the RP series allows the user to fix the load on the rotating table directly, which is for the high-speed and high-precision application. Currently, the main application scenarios include the panel industry, automation device, biomedical robot, machine tool industry and semiconductor industry.

(5) Magnetic encoder

Encode is massively used as the product of position feedback in the industries, with the resolution reaching 0.5 μ m. Therefore, its track can be found in the entire rotation or linear motion system. It is naturally included in **cpc**'s development plan of key parts and components.

(6) Miniature robotic arms

The robotic arm assembly of **cpc** has been quite modularized. Jigs are used to precisely locate harmonic reduction gears, rotary direct-drive motors, bearings, and encoders. Combining corresponding software for control and test, robotic arms are finally assembled as a whole to execute scenarios for reliability confirmation.

2. Production Procedures of Main Products

The main production flows of the product produced by **cpc** are as below:

(1) Linear guide

Heat treatment→ **Straighten**→ **Drill**→ **Polish**→ **Grinding**→ **Cut**→ **Measurement system**→ **Assembly**→ **Clean & Package** →**Automated warehousing**

(2) Magnetic part of motor

Raw material→ **Processing**→ **Chrome plating**→ **Magnet paste**→ **Measure**

(3) Winding part of motor

Raw material→ **Coil wire**→ **Wiring**→ **Perfuse**→ **Measureme**

(4) Linear motor module and industry robot

Platform→ **Stator guide**→ **Platform deck**→ **Measure**

(5) Magnetic encoder and driver

PCB plate→ **Shell**→ **Packaging**→ **Calib**→ **Measure**

(III) Supply Status of Main Materials

cpc mainly engages in the manufacture of linear guide rail, whose major raw materials are the cold drawn, plastic fittings and steel balls, and the purchase source is the domestic and overseas manufacturer, which all have established the long-term and good cooperation relation with the Company. As of now, the supplying condition of major raw materials of the Company is good.

Major raw material	Supplier	Supply condition
Cold drawn	Company A、 CompanyB、 Company C	Normal
Plastic fittings	Company D、 Company E	Normal
Steel ball	Company F、 Company G	Normal

In addition, the major raw materials of linear motor are the rare earth magnet, enameled wire and epoxy resin, with suppliers all over the world, with long-term and good cooperation mode, to ensure the normal and good major raw material supply.

(IV) Lists of Major Suppliers and Customers

1. Major Suppliers in the 2 Most Recent Fiscal Years and Purchased Amount and Percent as well as Change Reason Explanation

Unit: NT\$ in thousands; %

Item	2022				2023				As of the previous quarter in 2024 Fiscal Year			
	Company Name	Amount	Percent in the annual purchases (%)	Relation with Issuer	Company Name	Amount	Percent in the annual purchases (%)	Relation with Issuer	Company Name	Amount	Percent in the annual purchases (%)	Relation with Issuer
1	COMPANY A	73,481	22.59	None	COMPANY A	38,868	26.43	None	COMPANY A	21,992	53.90	None
2	COMPANY B	66,615	20.48	None	COMPANY B	23,753	16.15	None	COMPANY E	3,015	7.39	None
3	COMPANY C	27,570	8.47	None	COMPANY D	19,331	13.14	None	COMPANY C	2,886	7.07	None
	Others	157,666	48.46	None	Others	65,126	44.28	None	Others	12,910	31.64	None
	Net total supplies	325,332	100.00		Net total supplies	147,078	100.00		Net total supplies	40,803	100.00	

Note 1: The names and purchase amounts and ratios of suppliers whose purchase total exceeds 10% of the total purchase amount in the past two years are listed below. However, suppliers whose names cannot be disclosed due to contractual agreements or those whose transaction objects are individuals and not related parties may be identified by code.

Note 2: Reasons for increase or decrease: The revenue in 2023 substantially decreased by 34.30%, so did the purchase amount. In response to the demands of European and American customers for the second half of 2022, inventories were increased and air freight costs were decreased. The net amount of inventories had been increased to NT\$193,743 thousand, resulting in a higher reduction in purchase amount.

2. Major Customers in the 2 Most Recent Fiscal Years and purchased Amount and Percent as well as the Change Reason Explanation

Unit: NT\$ in thousands; %

I t e m	2022				2023				As of the previous quarter in 2024 Fiscal Year			
	Company Name	Amount	Percent in the annual purchases (%)	Relation with Issuer	Company Name	Amount	Percent in the annual purchases (%)	Relation with Issuer	Company Name	Amount	Percent in the annual purchases (%)	Relation with Issuer
1	Company A'	83,798	5.12	None	Company A'	52,785	4.91	None	Company C'	10,531	4.15	None
2	Company B'	76,273	4.66	None	Company B'	52,416	4.88	None	Company D'	9,220	3.63	None
	Others	1,475,708	90.22	None	Others	969,553	90.21	None	Others	234,288	92.22	None
	Net total supplies	1,635,779	100.00		Net total supplies	1,074,754	100.00		Net total supplies	254,039	100.00	

Note 1: List the names of customers whose sales revenue accounts for more than 10% of total sales revenue in the past two years, along with their sales amount and proportion. However, due to contractual obligations, the names of customers or transaction objects that are individuals and non-related parties can be represented by codes.

Note 2: Reasons for increase/decrease in sales revenue: Due to slumping economy, intensified geopolitical risks, and diminished willingness for capital expenditure from manufacturers, the revenue for the 2023 fiscal year reduced 34.30%. There were no customers accounting for more than 10% of net sales in the 2022 and 2023 fiscal years.

(V)The Production Volume and Value in the 2 Most Recent Fiscal Years

Unit: in thousand pieces/NT\$ in thousand

Major products \ Year	2022			2023		
	Capacity	Volume	Value	Capacity	Volume	Value
Linear guide rail and slide base	-	7,416	1,624,141	-	3,493	833,893
Linear motor	-	9	48,048	-	8	41,681
Total	-	7,425	1,672,189	-	3,501	875,574

Note: 1. Capacity refers to volume produced under the condition of the existing production equipment in a normal condition on the days excluding holidays and days with shut down.

2. Capacity is not listed due to all the products produced by CFC is replaceable to each other in the production line.

Note: Production change and its analysis:

The main reason is the decrease in revenue by 34.30% in 2023, resulting in a corresponding decrease in activation rate and output.

(VI) The Sales Volume and Value in the 2 Most Recent Fiscal Years

Unit: in thousand pieces/NT\$ in thousand

Major products	Year	2022 Fiscal Year				2023 Fiscal Year			
		Domestic		Export		Domestic		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Linear guide rail and slide base		221	170,851	1,871	1,387,594	131	100,429	1,130	907,710
Linear motor		2	17,574	9	59,760	1	13,148	6	53,467
Total		223	188,425	1,880	1,447,354	132	113,577	1,136	961,177

Note: Sales change and its analysis:

The main reason was the decline in the domestic machine tool industry's performance in 2023 due to the impact of the pandemic. Additionally, the logistics and production in China were affected by measures such as city lockdowns, resulting in a decrease in both domestic and foreign sales volume and value in 2023.

III. Number of employees of recent two years as of printed date

March 31, 2024

Fiscal Year		2022	2023	2024 Fiscal Year up to March 31
Number of Employees	Administrative staff	88	77	79
	R & D personnel	28	28	27
	Business personnel	32	29	32
	Field staff	332	267	244
	Total	480	401	382
Average Age		36.95	36.95	39.09
Average Years of Service		6.40	6.40	7.85
Education distribution ratio	Ph.D.	0%	0%	0%
	Masters	6.0%	6.0%	6.1%
	Bachelor's Degree	52.7%	52%	53.0%
	Senior High School	39.4%	40%	39.4%
	Below Senior High School	1.9%	1%	1.5%

IV. Environmental protection expenditure

For the loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report, and the future countermeasures as well as possible expenditures:

(I) According to the regulation provisions, those applying for the pollution facility setting license or pollution discharge license or payable pollution prevention expense or needing to set the environmental protection specific personnel, the explanation of application, payment or setting condition is as below: **cpc** is the linear guide rail manufacturer, located in Southern Taiwan

Science Park and Tree Valley Park, and has applied and acquired the pollution facility setting license or pollution discharge license according to the environmental protection laws.

- (II) Main equipment and its usage as well as possible benefit invested by the Company for the environmental pollution prevention:

Unit: in thousand; March 31, 2024

Equipment Name	Qty.	Acquisition Date	Invested Cost	Balance	Usage and Estimated Benefit
Smoke extraction	1	2014.12.04	1,167	43	Smoke treatment
Smoke extraction equipment	1	2014.03.28	550	50	Smoke treatment
Purification equipment	7	2021.10.20	476	251	Oil purification
Exhaust equipment	1	2022.03.23	350	210	Smoke treatment
Exhaust equipment	1	2022.06.06	2,421	1,533	Smoke treatment

- (III) During the environmental pollution progress of the Company in the latest year and up to the printing date of this annual report, there is any pollution dispute, and it shall describe the disposal process: the Company has no pollution dispute during the latest year and up to the printing date of this annual report.
- (IV) During the latest year and up to the printing date of this annual report, the loss (including compensations) and punishment sum caused by the environmental pollution of the Company, and disclosed future countermeasures (including improvement measures) and possible expenses (including the estimated amount of possible loss, punishment and compensation if not taking the countermeasures; if unable to estimate reasonably, it shall state the fact unable to estimate reasonably): None.
- (V) Present pollution status and influence of improvement to the company surplus, competition status and capital expenditure, and estimated significant environmental protection capital expenditure in future two years: None.

V. Labor Relations

- (I) Employee welfare measure, advanced study, training, retirement system and implementation condition, and agreement on labor and capital as well as various staff rights and interests maintenance measure condition of the Company:
1. Employee welfare measures and its implementation status:
 - ◆ Reward measures
 - (1) Year-end bonuses.
 - (2) Employee Remuneration.
 - (3) Business bonuses.
 - (4) Lunch and dinner allowances.
 - (5) Performance bonuses / Technical allowance.
 - (6) Special bonuses / Production bonuses / outstanding performance bonuses.
 - (7) Operating bonuses.
 - (8) R & D Patent bonuses.
 - (9) Referral bonuses.
 - (10) Other wage adjustment for performance mechanism and flexible reward system.
 - (11) Appropriation of retirement pensions.

- ◆ Insurance and subsidies
 - (1) Labor Insurance.
 - (2) Health Insurance.
 - (3) Occupational Injury Insurance.
 - (4) Casualty insurance, Group insurance.
 - (5) Catastrophic illness and Emergency Condolence / Subsidies, etc.
 - ◆ Equipment
 - (1) Employee Restaurant.
 - (2) Free parking area.
 - (3) Breast-feeding room.
 - (4) Set up Automated External Defibrillator (AED).
 - ◆ Holidays / take time off system.
 - (1) 2 days off a week.
 - (2) Annual paid leave of absence.
 - (3) Paternity leaves.
 - (4) Pregnancy checkup leaves.
 - (5) Family care leaves.
 - (6) Female worker menstrual leaves.
 - (7) Paternity checkup leaves.
 - (8) Vaccine leaves.
 - (9) Epidemic prevention care leaves.
 - ◆ Others
 - (1) Internal and External Education and Training for Employee.
 - (2) Employee Welfare Committee.
 - Holiday bonuses/Gift, Year-end party, Bonuses/Gift.
 - Wedding subsidies, Hospitalized condolences, etc.
 - (3) Regular physical examination.
 - (4) Set up health management consultant and regular occupational physician to visit during the health consultation period.
 - (5) Strengthen the knowledge and training related to industrial safety, occupational safety, fire prevention and disaster prevention for the employees, and set up self-defense fire prevention team, and conduct fire prevention advocacy and drills regularly.
2. Employee advanced study, training system and implementation condition:
 The Company dedicates in creating the study environment for talent sustainability and excellent competitiveness improvement, specially formulates the “educational training management procedure” and “educational training operational procedure”, to cultivate the proper excellent talent via the internal and external training resource.
 At present, the Company provides a series of common knowledge, professional skill and management educational trainings, to cultivate the section head and senior employees as the internal lecturer to inherit the company culture and skill, and also irregularly invite the external specialists to give instructions. In 2023, the Company held training courses with a total of 2,568 classes, total training hours nearly 53,598 hours, and total participation rate of 44,396 persons.
 The training courses in 2023 include:
- (1) New employee educational training:
 - It includes the company regulations, labor, safety and health related introduction as well as the arrival guidance; every new employee has the educational trainer, to assist adapting the work environment, and getting familiar with the work content as soon as possible.

- (2) Common knowledge training:
It refers to the common knowledge training activity required by government decree, company policy and the whole company or all sectors at each level, such as: education of prohibition and prevention of insider trading, staff HSE educational training, safety and health training course, quality training course, factory emergency response training course, and personal performance management series course.
 - (3) Professional training:
It refers to the technology and professional training of each unit, such as R&D course, processing course, finance and accounting course, information technology course.
 - (4) Supervisor training:
It refers to the planning of supervisor management training and development course. The content includes the management and leadership control course as well as other supplementary courses.
 - (5) Direct personnel training:
It refers to the training course providing the necessary knowledge, skill and attitude of technical personnel on production line, such as the machine skill training course for direct personnel.
 - (6) Periodically make the technical evaluation and performance evaluation, positively train the reserve leaders and talents.
 - (7) Hold the internal and external education and training related to the issue of faithful management (including faithful management comply with the requirements of laws and regulations, food safety and hygiene, inspection, accounting system and internal control systems and other related courses).
In 2023, the company organized internal and external education and training related to the issue of integrity management, so as to implement the ethical management policy and prevent dishonest behavior. Course contents included to how directors should fulfill their duty of care and fiduciary duty, accounting systems and internal control systems, confidential work, public work and violation handling. To summarize the training course situation in 2023, there were 736 person-times in attendance, with a total of 831 person-hours.
 - (8) Education and training for accounting supervisors, auditors, and corporate governance supervisors both internally and externally. The total number of courses held in 2023 was 130 person-times, with a total of 412 person-hours.
3. Employee retirement system and implementation condition: the Company's retirement system is mainly based on the relevant laws and regulations of Labor Standard Act.
- (1) For the company in the Republic of China: It shall follow the labor retirement management regulation of Labor Standard Act, and allocate the pension reserve monthly to the labor retirement reserve fund supervision committee special account according to the provisions. Moreover, it has overall implemented the "Labor Pension Act" since July 1, 2005, in which the applicable provisions are as below:
 - A. Employee arriving the post after July 1, 2005 (included) shall be entirely applicable for the "Labor Pension Act".
 - B. Employee arriving the post before July 1, 2005 (excluded) shall select the pension provision of "Labor Pension Act" or "Labor Standard Law" depending on personal actual demand within five years since July 1, 2005; if the employee doesn't make selection before the due date, s/he will continuously apply the pension provision of "Labor Standard Law" since the implementation date
 - C. If the colleague has any one of the conditions below, it shall apply for retirement voluntarily:
 - (A) Taking office over 15 years (included) and over 55-year-old.
 - (B) Taking office over 25 years (included).

- (C) Taking office over 10 years (included) and over 60-year-old.
- D. If the colleague has any one of the conditions below, it shall be forced to handle the retirement:
 - (A) Over 65-year-old.
 - (B) Lunacy or physically disabled for the work.

If the specific work dangerous in nature, or requires substantial physical strength or otherwise with a special nature, a business entity may request the central competent authority to adjust the age prescribed in Subparagraph 1 of the preceding paragraph according to the Article 54 paragraph 2 of Labor Standard Act, however, the age shall not be reduced below fifty-five. If an employee meets the requirements of mandatory retirement and compliance with the Article 11 of the Labor Standards Act may be terminated the labor contract, it shall be treated in a retirement manner according to the Labor laws and regulations.
- E. Pension payment standards:
 - (A) For the employees arriving the post before March 1, 1998(not including March 1), it shall pay pension based on 2 cardinal numbers for each working year. For the working years more than 15, it shall pay 1 cardinal number additionally for every one full year, which shall not exceed 61 cardinal numbers at most.
 - (B) For the employees arriving the post after March 1, 1998(including March 1), it shall pay pension based on 2 cardinal numbers for each working year. For the working years more than 15, it shall pay 1 cardinal number for every one full year, which shall not exceed 45 cardinal numbers at most except for the compulsory retirement due to occupational injury and disease.
 - (C) For the employees retired compulsorily, if the lunacy or physical disability is caused by the work and results in compulsory retirement, the pension shall be paid based on 20% plus the above regulation.
- F. Under the new pension system, it shall monthly allocate 6% to labor pension special account, and estimate the balance of labor pension reserve by the end of every year. If it is less than the amount to be paid for the employees who meet the retirement conditions within one year according to subparagraph 1-1 of Article 53 or Article 54, it shall appropriate the difference at one time by the end of March in the next year. Moreover, it shall be submitted to the Supervisory Committee of Workers' Retirement Fund for review.
- G. It shall advocate the personal voluntary pension contribution, and encourage improving the economic life after retirement from diverse perspectives.
- (2) For the company in China: For the endowment insurance after labor retirement, the company shall pay the endowment insurance based on the local laws and regulation at the premises of the enterprise.
 - A. According to the operation of local social insurance, the endowment insurance is included in social insurance (including medical insurance, maternity insurance, endowment insurance, occupational injury insurance, and unemployment insurance). After adding member for social insurance, the company shall starts to fulfill the obligation of paying endowment insurance.
 - B. If the employee reaches the retirement age stipulated by laws, and pays the endowment insurance (including the deemed years of contribution) for 15 years accumulatively, s/he shall be eligible to the treatment of basic endowment insurance, which is composed of the following:
 - (A) For those working since January 1, 1993: Basic pension+ pension of personal account, explained as below:
 - a. Basic pension: When employee is retired, the monthly wage of workers employed in the previous year *individual payment years *1%.

- b. Pension of personal account: When employee is retired, the balance in account /months paid for retirement.
 - 4. Agreement on labor and capital as well as various staff rights and interests maintenance measure condition:

The Company adopts the open and two-way communication method for the policy advocacy and employee opinion, uses E-MAIL and bulletin board to timely deliver the relevant information, complaint box, conference communication, supervisor communication, and welfare committee. In addition, it sets up the employee communication and care channel for the foreign employees. With the assistance of translator, it improves the adaptation and performance of foreign employees in work and life. This is to maintain the labor and management relation harmoniously, without labor and management disagreement.
 - 5. Employee Stock Ownership Trust

To enhance internal welfare, reward employees for financial planning, promote employee participation, and further achieve a win-win situation in labor relations, the Company has officially established the “Employee Stock Ownership Trust Committee,” which is applicable for employees with more than three years of experience of the Company and its subsidiary companies. On one hand, said employees will contribute a fixed amount from their monthly salaries. On the other hand, the company will contribute an 1-1 amount of bonus and deposit to dedicated accounts of employee stock ownership trust, in hope of retaining talents, assisting in employees’ financial management for accumulation of wealth, and planning for future retirement.
- (II) During the latest year and up to the printing date of this annual report, for the losses caused by labor dispute, and disclosure of current and future possible estimated amount and response measures: None.

VI. Information Security Management

- (I) Describing the framework for managing information security risks, information security policies, specific management plans, and resources allocated to information security management.
- 1. Information Security Risk Management Framework
 - (1) The Information Technology Department is responsible for planning, implementing, and promoting information security management matters, and promoting information security education.
 - (2) The Internal Audit Office serves as the auditing unit for information security supervision. If any deficiencies are found during the audit, the Information Technology Department is required to propose relevant improvement plans and track the effectiveness of the improvements to reduce information security risks. The execution status will be summarized in a report and submitted to three independent directors for review by the end of the following month. The independent directors may also instruct the case audit report if needed.
 - 2. Information Security Policies
 - (1) Maintain the normal operation of various information systems.
 - (2) Prevent hackers and various viruses from invading and destroying systems.
 - (3) Prevent unauthorized and illegal use.
 - (4) Prevent confidential information from leaking.
 - (5) Avoid human errors and accidents.
 - (6) Maintain the safety of the physical environment.
 - 3. Specific Management Plans for Information Security
 - (1) The company’s computer hosts, various application servers, and other equipment are all located in dedicated computer rooms, where access control is enforced and surveillance cameras are installed to keep records of entry and exit.

- (2) The computer room has independent air conditioning to maintain an appropriate temperature environment for computer equipment to operate, and a chemical fire extinguisher is placed to avoid fire accidents.
- (3) The host in the computer room is equipped with an uninterruptible power supply (UPS) and a voltage stabilizer to avoid system crashes caused by sudden power outages or to ensure that computer application systems can operate during temporary power outages.
- (4) Reminders and publicity: colleagues are required to change their system passwords regularly to maintain account security.
- (5) Information security education: providing information security examples to colleagues and conducting information security education at appropriate times.

4. Resources for Information Security Management

Project	Contents	Results
Cyber Security	<ol style="list-style-type: none"> 1. Install firewalls to block cyber attack from outer networks. 2. Install terminal protection to prevent viruses and hackers. 3. Install antivirus software in computer equipment 	<ul style="list-style-type: none"> *100% installment of antivirus software in computer equipment *100% firewall installment and situational updates. *100% update of antivirus software.
Data System Security	<ol style="list-style-type: none"> 1. Install data backup mechanism to back up important system data and perform unscheduled restoration drills. 2. Virtualize important system and back up system daily. 3. Install document-encryption software. 	<ul style="list-style-type: none"> *100% backup of host system *100% back up of important data. *At least 4 times a year of unscheduled restoration drills of virtual host. *Breached confidential documents: Zero.
Educational Training	Educational trainings on information security.	*Unscheduled promotion and explanation of information security.
Employee Information Security	Sign code of conduct of employee information security.	*New employees accessing computers shall sign "Code of Conduct of Employee Information Security."

- (II) Describing the losses, potential impacts, and response measures incurred due to significant information security incidents in the most recent fiscal year and up to the date of publication of the annual report. If it is impossible to make a reasonable estimate, explain the fact that it cannot be reasonably estimated: None.

VII. Important Contracts

Contract Nature	Counterparty	Contracted Period	Major Content	Restrictions
Medium and long-term borrowings	Taipei Fubon Commercial Bank	August 25, 2023~ August 25, 2028	Credit granting contract	None
Medium and long-term borrowings	Ten banks including Mega International Commercial Bank	February 15, 2024~ February 15, 2030	Joint credit granting contract	Note 1
Medium and long-term borrowings	Taipei Fubon Commercial Bank	August 25, 2022~ February 25, 2025	Credit granting contract	None
Medium and long-term borrowings	Cathay United Bank	November 29, 2022~ November 29, 2027	Credit granting contract	None
Medium and long-term borrowings	Chinatrust Commercial Bank	December 28, 2023~ December 26, 2025	Credit granting contract	None
Medium and long-term borrowings	BANK OF THE WEST	December 28, 2020~ December 28, 2028	Bank financing and credit granting contract	Note 2
Land lease	Southern Taiwan Science Park Administration, MOST	January 01, 2023~ December 31, 2042	Land lease contract	No
Land lease	Southern Taiwan Science Park Administration, MOST	August 28, 2014~ August 27, 2034	Land lease contract	No

Note 1: The Company signed an interim-guaranteed joint credit granting contract on January 3, 2023 with ten banks including Mega International Commercial Bank. The contract under question features a total credit amount of NT\$2 billion, with a credit granting period of 7 years starting from the date of first activation. The Company shall follow the provisions and make the commitment of following items to the joint loan bank consortium during the joint credit granting period:

- (1) During the joint credit granting period, according to the accountant checked annual report or accountant audited consolidated financial statement of second quarter, the Company shall maintain the following financial ratio, and be inspected once every half year:
 - A. Liquidity ratio (current asset/current liability): over 100% (included).
 - B. Debt ratio (balance of debt/net value): From 2023 to 2025, it should maintain below 220%; For 2026 and 2027, it should maintain below 200%; Starting from 2028, it should maintain below 180%(inclusive).
 - C. Lowest tangible asset (net value-intangible asset): It should maintain above NT\$ 1 billion.
- (2) If the company does not meet the above financial ratios and standards, the company should adjust it within 9 months after the end of the fiscal year or semi-annual period. If the adjusted financial ratio after accounting adjustment or review meets the agreed, it is not considered a breach of contract. During the adjustment period, the unutilized credit line of the credit will suspend the use of the equity to the financial ratio in accordance with the agreement, and the unused principal balance will be used. The financing interest rate shall be from the second payment date after the management bank's notice to the next payment of the agreed interest rate, the annual interest rate of the joint credit agreement is increased by an annual interest rate of 0.125%.
 - 2.As of 31 of March 31, 2023, the Company's financial ratios has not breached the above promised conditions.

Note 2: This is a credit granting contract between the subsidiary Chieftek Precision International LLC and BANK OF THE WEST.

VI. FINANCIAL INFORMATION

I. Five-year financial summary of condensed balance sheet consolidated condensed statement of comprehensive income

(I) Condensed Balance Sheet and Consolidated Statement of Comprehensive Income

1. Condensed Balance Sheet

(1) Consolidated Condensed Balance Sheet

Unit: NT\$ in thousands

Fiscal Year		Financial Data for The Last Five Years (Note 1)					Financial Data as of March 31, 2024 (Note 1)
		2019	2020	2021	2022	2023	
Items							
Current assets		1,684,170	1,657,304	1,814,156	1,933,408	1,814,988	1,818,871
Property, Plant and Equipmen		1,290,959	1,532,120	1,711,186	1,861,738	1,942,263	1,963,757
Intangible assets		120,990	101,595	79,576	71,078	63,322	61,087
Other assets		224,048	218,322	192,281	188,077	134,411	156,940
Total assets		3,320,167	3,509,341	3,797,199	4,054,301	3,954,984	4,000,655
Current liabilities	Before distribution	677,099	725,577	746,932	832,302	652,282	633,373
	After distribution	757,842	846,691	868,046	1,006,826	722,091	Note 2
Non-current liabilities		618,283	670,706	764,312	798,769	959,134	1,043,010
Total liabilities	Before distribution	1,295,382	1,396,283	1,511,244	1,631,071	1,611,416	1,676,383
	After distribution	1,376,125	1,517,397	1,632,359	1,805,595	1,681,225	Note 2
Equity attributable to shareholders of the parent company		2,024,785	2,113,058	2,285,955	2,423,230	2,343,568	2,324,272
Capital stock		811,876	811,876	811,876	892,619	892,619	892,619
Capital surplus		440,667	440,667	440,667	446,121	446,121	446,121
Retainin g earnings	Before distribution	801,636	923,388	1,110,588	1,256,551	1,177,459	1,143,453
	After distribution	720,893	802,274	908,731	1,082,027	1,107,650	Note 2
Other equity interest		(29,394)	(36,323)	(50,626)	(24,491)	(25,061)	(10,351)
Treasury stock		-	(26,550)	(26,550)	(147,570)	(147,570)	(147,570)
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	2,024,785	2,113,058	2,285,955	2,423,230	2,343,568	2,324,272
	After distribution	1,944,042	1,991,944	2,164,841	2,248,706	2,273,759	Note 2

Note 1: The financial data of 2019, 2020, 2021, 2022, and 2023 has been audited by the CPA, and the financial data as of March 31, 2024 has not been audited by the CPA.

Note 2: The proposal for the distribution of profits for the fiscal year 2023 was approved by the Board of Directors on February 26, 2024. A cash dividend of NT\$0.8 per share will be distributed, and the matter will be reported and discussed at the shareholders' meeting on May 30, 2024.

(2) Parent Company only Balance Sheet

Unit: NT\$ in thousands

Fiscal Year		Financial Data for The Last Five Years (Note 1)				
		2019	2020	2021	2022	2023
Items						
Current assets		1,394,779	1,291,381	1,478,753	1,559,680	1,364,726
Property, Plant and Equipment		1,105,943	1,361,380	1,549,834	1,659,368	1,739,775
Intangible assets		120,143	101,250	79,576	71,078	62,265
Other assets		513,305	622,978	569,385	615,525	559,473
Total assets		3,134,170	3,376,989	3,677,548	3,905,651	3,726,239
Current liabilities	Before distribution	557,094	676,285	705,616	767,846	627,257
	After distribution	637,837	797,399	826,730	942,370	697,066
Non-current liabilities		552,291	587,646	685,977	714,575	755,414
Total liabilities	Before distribution	1,109,385	1,263,931	1,391,593	1,482,421	1,382,671
	After distribution	1,190,128	1,385,045	1,512,707	1,656,945	1,452,480
Equity attributable to shareholders of the parent company		2,024,785	2,113,058	2,285,955	2,423,230	2,343,568
Capital stock		811,876	811,876	811,876	892,619	892,619
Capital surplus		440,667	440,667	440,667	446,121	446,121
Retaining earnings	Before distribution	801,636	923,388	1,110,588	1,256,551	1,177,459
	After distribution	720,893	802,274	908,731	1,082,027	1,107,650
Other equity interest		(29,394)	(36,323)	(50,626)	(24,491)	(25,061)
Treasury stock		-	(26,550)	(26,550)	(147,570)	(147,570)
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	2,024,785	2,113,058	2,285,955	2,423,230	2,343,568
	After distribution	1,944,042	1,991,944	2,084,098	2,248,706	2,273,759

Note 1: The financial data of 2019, 2020, 2021, 2022, and 2023 has been audited by the CPA.

Note 2: The proposal for the distribution of profits for the fiscal year 2023 was approved by the Board of Directors on February 26, 2024. A cash dividend of NT\$0.8 per share will be distributed, and the matter will be reported and discussed at the shareholder meeting on May 30, 2024.

2. Consolidated Condensed Statement of Comprehensive Income
(1) Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ in thousand

Fiscal Year Items	Financial Data for The Last Five Years (Note 1)					Financial Data as of March 31, 24 (Note 1)
	2019	2020	2021	2022	2023	
Operating revenue	1,300,351	1,381,885	1,856,920	1,635,779	1,074,754	254,039
Gross profit	581,662	565,935	773,787	709,924	468,647	100,857
Income from operations	241,539	276,369	483,380	375,954	117,582	22,804
Non-operating income and expense	(19,312)	(14,874)	(36,121)	63,414	25,398	17,962
Income before tax	222,227	261,495	447,259	439,368	142,980	40,766
Net income of this term from continuous operation	174,644	203,095	308,789	346,787	98,042	35,803
Loss from discontinued operations	-	-	-	-	-	-
Net income (Loss)	174,644	203,095	308,789	346,787	98,042	35,803
Other comprehensive income (income after tax)	(11,907)	(7,529)	(14,778)	27,168	(3,180)	14,710
Total comprehensive income	162,737	195,566	294,011	373,955	94,862	50,513
Net income attributable to shareholders of the parent company	174,644	203,095	308,789	346,787	98,042	35,803
Net income attributable to non-controlling interest	-	-	-	-	-	-
Comprehensive profit/loss attributable to Shareholders of the parent company	162,737	195,566	294,011	373,955	94,862	50,513
Comprehensive profit/loss attributable to non-controlling interest	-	-	-	-	-	-
Earnings per share	1.97	2.29	3.48	3.91	1.12	0.41

Note 1: The financial data of 2019, 2020, 2021, 2022, and 2023 has been audited by the CPA, and the financial data as of March 31, 2024, has not been audited by the CPA.

(2) Parent Company only Statement of Comprehensive Income

Unit: NT\$ in thousand

Fiscal Year Items	Financial Data for The Last Five Years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	1,040,726	1,068,294	1,443,674	1,418,743	795,982
Gross profit	400,369	378,433	527,757	525,419	275,597
Income from operations	214,952	203,682	344,562	271,037	76,181
Non-operating income and expense	(4,593)	44,064	46,199	141,105	52,629
Income before tax	210,359	247,746	390,761	412,142	128,810
Net income of this term from continuous operation	174,644	203,095	308,789	346,787	98,042
Loss from discontinued operations	-	-	-	-	-
Net income (Loss)	174,644	203,095	308,789	346,787	98,042
Other comprehensive income (income after tax)	(11,907)	(7,529)	(14,778)	27,168	(3,180)
Total comprehensive income	162,737	195,566	294,011	373,955	94,862
Net income attributable to shareholders of the parent company	174,644	203,095	308,789	346,787	98,862
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive profit/loss attributable to Shareholders of the parent company	162,737	195,566	294,011	373,955	94,862
Comprehensive profit/loss attributable to non-controlling interest	-	-	-	-	-
Earnings per share	1.97	2.29	3.48	3.91	1.12

Note 1: The financial data of 2019, 2020, 2021, 2022, and 2023 have been audited by the CPA.

(II) Condensed Balance Sheet and Consolidated Statement of Income – based on SFAS: Not applicable.

(III) CPA's Names and Audit Opinions for the Last Five Years:

1. CPA's names and audit opinions for the last five years are listed as below:

Year	Accounting Firm	CPA	Audit Opinion
2019	PwC TW	CPA LIN YUNG-CHIH, LIN TZU-YU	Unqualified
2020	PwC TW	CPA LIN YUNG-CHIH, LIN TZU-YU	Unqualified
2021	PwC TW	CPA LIN YUNG-CHIH, TIEN CHUNG-YU	Unqualified
2022	PwC TW	CPA LIN YUNG-CHIH, TIEN CHUNG-YU	Unqualified
2023	PwC TW	CPA LIN YUNG-CHIH, YEH FANG-TING	Unqualified

2. Explanation to the reason of accountant change in recent five years:

- (1) The financial statement of the Company was originally appointed PwC TW Accountant LIN YUNG-CHIH and LIN TZU-YU for check and audit; in order to cooperate with the internal adjustment of PwC TW, it has changed to appoint PwC TW Accountant LIN YUNG-CHIH and TIEN CHUNG-YU for check and audit since 2021.
- (2) The financial statement of the Company was originally appointed to the PwC TW Accountant LIN YUNG-CHIH and TIEN CHUNG-YU for check and audit; in cooperation with the internal adjustment of PwC TW, it has been changed to PwC TW Accountant LIN YUNG-CHIH and YEH FANG-TING for check and audit since the second quarter of 2023.

II. Five-year financial analysis

(I) Financial Analysis – Based on IFRS

1. Consolidated Financial Analysis

Unit: NT\$ in thousand

Analysis Item		Fiscal Year	Financial Data for The Last Five Years (Note 1)					Financial Data as of March 31, 2024 (Note 2, Note 3)
			2019	2020	2021	2022	2023	
Financial structure (%)	Debt Ratio		39.02	39.79	39.80	40.23	40.74	41.90
	Ratio of long-term capital to real estate, plant and equipment		204.74	181.69	178.25	173.06	170.04	171.47
Solvency %	Current ratio		248.73	228.41	242.88	232.30	278.25	287.17
	Quick ratio		150.40	146.68	177.64	149.22	170.18	177.79
	Interest earned ratio (times)		15.85	18.60	37.83	31.87	6.57	7.14
Operating performance	Accounts receivable turnover (times)		3.05	3.68	4.31	4.22	3.75	3.72
	Average collection days		120	99	85	86	97	98
	Inventory turnover (times)		1.01	1.24	1.91	1.51	0.84	0.84
	Accounts payable turnover (times)		4.47	7.25	6.41	4.43	4.54	9.40
	Average days in sales		361	294	191	242	435	435
	Real estate, plant and equipment turnover (times)		1.12	0.98	1.15	0.92	0.57	0.52
	Total assets turnover (times)		0.40	0.40	0.51	0.42	0.27	0.24
Profitability	Return on total assets (%)		5.66	6.22	8.60	9.00	2.67	4.68
	Return on equity (%)		8.82	9.82	14.04	14.73	4.11	6.12
	Pre-tax income to paid-in capital (%) (Note 8)		27.37	32.21	55.09	49.22	16.02	4.57
	Net profit ratio (%)		13.43	14.70	16.63	21.20	9.12	14.09
	Earnings per share (NT\$)		1.97	2.29	3.48	3.91	1.12	0.41
Cash flow	Cash flow ratio (%)		24.30	47.91	83.36	51.94	(3.23)	23.08
	Cash flow adequacy ratio (%)		139.49	109.41	109.25	99.53	87.89	93.47
	Cash reinvestment ratio (%)		2.43	6.77	11.74	6.89	(4.25)	0.78
Leverage	Operating leverage		1.43	1.37	1.21	1.26	1.79	1.90
	Financial leverage		1.06	1.04	1.01	1.02	1.11	1.43

Please explain reasons for changes in financial ratios over the last 2 fiscal years: (If the increases or decreases is less than 20%, no analysis is required)

1. The decrease in interest earned ratio, inventory turnover, accounts payable turnover, real estate, plant, and equipment turnover, total asset turnover, return on total assets, return on equity, pre-tax income to paid-in capital, net profit ratio, earnings per share, cash flow ratio; and the increase in average days in sales and operating leverage, are mainly due to:
 - (1) Due to the impact of the economic slump, Russia-Ukraine War, and increasing geopolitical risks, the revenue has decreased, and the cost of goods sold has decreased accordingly.
 - (2) The inventory increased due to the reduced revenue.
 - (3) The phase 2 construction of Tree Valley is still in progress, resulting in an increase in real estate, factories, and equipment
 - (4) The depreciation of the New Taiwan Dollar against the US Dollar resulted in exchange gains of up to NT\$19,470 thousand.
 - (5) The net profit of the current period decreased.

Note 1: The financial data of 2019, 2020, 2021, 2022, and 2023 had been audited by the CPA.

Note 2: The financial data as of March 31, 2024 had not been audited by the CPA.

Note 3: Relevant operation capacity and profitability related financial ratio is calculated by the annual figure.

Note 4: Calculation formulas are as below:

1. Financial structure
 - (1) Ratio of liability to asset = total liability / total asset.
 - (2) Ratio of long-term capital to real estate, plant and equipment = (total equity + non-current liability) / net amount of real estate, plant and equipment.
2. Solvency
 - (1) Current ratio = current asset / current liability.
 - (2) Quick ratio = (current asset – inventory – prepaid expense) / current liability.
 - (3) Interest earned ratio = net profit before income tax and interest expense / current interest expense.
3. Operating performance
 - (1) Accounts payable (including accounts receivable and notes receivable caused by business) turnover ratio = net sales / average accounts receivable ((including accounts receivable and notes receivable caused by business) balance).
 - (2) Average collection days = 365 / accounts payable turnover ratio.
 - (3) Inventory turnover ratio = sales cost / average inventory.
 - (4) Accounts payable (including accounts payable and notes payable caused by business) turnover ratio = sales cost / balance of average accounts payable (including accounts payable and notes payable caused by business).
 - (5) Average days in sale = 365 / inventory turnover ratio.
 - (6) Real estate, plant and equipment turnover ratio = net sales / net amount of average real estate, plant and equipment.
 - (7) Total assets turnover ratio = net sales / average total assets.
4. Profitability
 - (1) Return on assets = (after-tax profit and loss + interest expense × (1 – tax rate)) / average total assets.
 - (2) Return on equity = after-tax profit and loss / average total equity.
 - (3) Net profit ratio = after-tax profit and loss / net sales.
 - (4) Earnings per share = (equity attributable to shareholders of parent company – preference dividend) / weighted average issued share number. (Note 5)
5. Cash flow
 - (1) Cash flow ratio = net cash flow of operating activity / current liability.
 - (2) Net cash flow adequacy ratio = net cash flow of operating activity in recent five years / recent five years (capital expenditure + inventory increase + cash dividend).
 - (3) Cash reinvestment ratio = (net cash flow of operating activity – cash dividend) / (gross amount of real estate, plant and equipment + long-term investment + other non-current asset + working capital). (Note 6)

6. Leverage:

- (1) Operating leverage = (net operating revenue–changed operating costs and expense) /operating profit. (Note 7)
- (2) Financial leverage = operating profit / (operating profit – interest expense).

Note 5: Calculation formula of above earnings per share shall pay attention to following items when measuring:

1. Subject to weighted average common share number, not based on issued share numbers in the end of the year.
2. If there is increment of cash or treasury stock transaction, it shall consider the circulation period, and calculate the weighted average share number.
3. If there is surplus transferred to increment or capital reserve transferred to investment, when calculating the earnings per share of the previous year and half year, it shall trace and adjust according to increment proportion, without any consideration of issuing period of the increment.
4. If the special stock is the inconvertible accumulative special stock, its dividend of that year (no matter issued or not) shall be deducted from the profit (loss) for the year, or increase the after-tax net loss. If the special stock is non-cumulative type, when there is after-tax dispute, the special stock dividend shall be deducted from the profit (loss) for the year; if it is loss, it shall not be adjusted.

Note 6: Cash flow analysis shall pay special attention to the following items when measuring:

1. Net cash flow of operating activity refers to net cash inflow of operating activity in cash flow statement.
2. Capital expenditure refers to the cash outflow of annual capital investment.
3. Inventory increment shall only be accounted when the ending balance is greater than beginning balance, and if the inventory decreases in the end of the year, it shall be calculated as zero.
4. Cash dividends include the cash dividend of common stock and special stock.
5. Real estate, plant and equipment gross refer to the sum of real estate, plant and equipment before deducting the accumulated depreciation.

Note 7: Issuer shall divide the operating costs and operating expenses into the fixed and changeable one; if estimation or subjective judgment is involved, it shall pay attention to the rationality and maintain the consistency.

Note 8: If the company share has no denomination or the denomination per share is not NT\$ \$ 10, the above ratio calculation related to paid-in capital shall be changed to calculate the ratio of equity attributable to shareholders of parent company of balance sheet.

2. Parent Company only Financial Analysis

Unit: NT\$ in thousand

Analysis Item		Financial Data for The Last Five Years (Note 1)					Financial Data as of March 31, 2024
		Fiscal Year	2019	2020	2021	2022	
Financial structure (%)	Debt Ratio	35.40	37.43	37.84	37.96	37.11	
	Ratio of long-term capital to real estate, plant and equipment	233.02	198.38	191.76	189.10	178.13	
Solvency %	Current ratio	250.37	190.95	209.57	203.12	217.57	
	Quick ratio	154.69	119.48	149.03	134.00	128.71	
	Interest earned ratio (times)	21.84	24.77	41.18	36.58	7.01	
Operating performance	Accounts receivable turnover (times)	2.10	2.55	3.50	3.21	2.53	
	Average collection days	174	143	104	114	144	
	Inventory turnover (times)	1.20	1.41	2.09	1.91	0.99	
	Accounts payable turnover (times)	4.10	6.34	5.59	4.28	3.95	Not applicable
	Average days in sales	304	259	175	191	369	
	Real estate, plant and equipment turnover (times)	1.06	0.87	0.99	0.88	0.47	
	Total assets turnover (times)	0.34	0.33	0.41	0.37	0.21	
Profitability	Return on total assets (%)	5.87	6.41	8.86	9.26	2.72	
	Return on equity (%)	8.82	9.82	14.04	14.73	4.11	
	Pre-tax income to paid-in capital (%) (Note 8)	26.48	30.52	48.13	46.17	14.43	
	Net profit ratio (%)	16.78	19.01	21.39	24.44	12.32	
	Earnings per share (NT\$)	1.97	2.29	3.48	3.91	1.12	
Cash flow	Cash flow ratio (%)	34.35	49.28	84.71	39.34	34.55	
	Cash flow adequacy ratio (%)	138.01	102.90	109.76	102.55	101.50	
	Cash reinvestment ratio (%)	3.25	6.63	11.51	4.14	0.98	
Leverage	Operating leverage	1.32	1.35	1.17	1.47	1.85	
	Financial leverage	1.04	1.04	1.01	1.02	1.11	

Please explain reasons for changes in financial ratios over the last 2 fiscal years: (If the increases or decreases is less than 20%, no analysis is required)

1. The decrease in interest earned ratio, accounts receivable turnover, average collection days, inventory turnover, accounts payable turnover, average days in sales, real estate, plant, and equipment turnover, total asset turnover, return on total assets, return on equity, pre-tax income to paid-in capital, net profit ratio, earnings per share, cash flow ratio, and cash reinvestment ratio; and the increase in operating leverage, are mainly due to:

- (1) Due to the impact of the economic slump, Russia-Ukraine War, and increasing geopolitical risks, the revenue has decreased, and the cost of goods sold has decreased accordingly.
- (2) Under the effect of different revenue seasons and receiving conditions of clients, the year-end accounts receivable amount is not equal to the revenue. The accounts receivable turnover is calculated by the average of accounts receivables on a two year basis, which results in an increase of average collection days.
- (3) The phase 2 construction of Tree Valley is still in progress, resulting in an increase in real estate, factories, and equipment.
- (4) The depreciation of the New Taiwan Dollar against the US Dollar resulted in exchange gains of up to NT\$19,470 thousand.
- (5) The net profit of the current period decreased.

Note 1: The financial data of 2019, 2020, 2021, 2022, and 2023 had been audited by the CPA.

Note 2: Calculation formulas are as below:

1. Financial structure

- (1) Ratio of liability to asset = total liability / total asset.
- (2) Ratio of long-term capital to real estate, plant and equipment = (total equity + non-current liability) / net amount of real estate, plant and equipment.

2. Solvency

- (1) Current ratio = current asset / current liability.
- (2) Quick ratio = (current asset – inventory – prepaid expense) / current liability.
- (3) Interest earned ratio = net profit before income tax and interest expense / current interest expense.

3. Operating performance

- (1) Accounts payable (including accounts receivable and notes receivable caused by business) turnover ratio = net sales / average accounts receivable ((including accounts receivable and notes receivable caused by business) balance).
- (2) Average collection days = 365 / accounts payable turnover ratio.
- (3) Inventory turnover ratio = sales cost / average inventory.
- (4) Accounts payable (including accounts payable and notes payable caused by business) turnover ratio = sales cost / balance of average accounts payable (including accounts payable and notes payable caused by business).
- (5) Average days in sale = 365 / inventory turnover ratio.
- (6) Real estate, plant and equipment turnover ratio = net sales / net amount of average real estate, plant and equipment.
- (7) Total assets turnover ratio = net sales / average total assets.

4. Profitability

- (1) Return on assets = (after-tax profit and loss + interest expense × (1 – tax rate)) / average total assets.
- (2) Return on equity = after-tax profit and loss / average total equity.
- (3) Net profit ratio = after-tax profit and loss / net sales.
- (4) Earnings per share = (equity attributable to shareholders of parent company – preference dividend) / weighted average issued share number. (Note 5)

5. Cash flow

- (1) Cash flow ratio = net cash flow of operating activity / current liability.
- (2) Net cash flow adequacy ratio = net cash flow of operating activity in recent five years / recent five years (capital expenditure + inventory increase + cash dividend).
- (3) Cash reinvestment ratio = (net cash flow of operating activity – cash dividend) / (gross amount of real estate, plant and equipment + long-term investment + other non-current asset + working

capital). (Note 6)

6. Leverage:

(1) Operating leverage = (net operating revenue—changed operating costs and expense) /operating profit. (Note 7)

(2) Financial leverage = operating profit / (operating profit – interest expense).

Note 3: For the calculation formula of the above earnings per share, the following matters shall be paid attention to:

1. Be subject to the weighted average of common stock shares rather than by then end of the year.
2. The one goes through a cash capital increase or treasury stock trading shall consider calculating the weighted average outstanding shares during the circulation period.
3. The one goes through surplus capital increase or turn add equity capital accumulation fund shall carry out retroactive adjustment based on capital increase ratio when calculating the earnings per share of previous years and semiannual.
4. If the preferred stock is the non-convertible cumulative stock, the current annual dividend (whether issued or not) shall be deducted from post-tax profit or added to post-tax loss. If the preferred stock is not cumulative, it shall be deducted from the post-tax profit; and it needs no adjustment if it losses.

Note 4: Pay attention to the following matters when measuring cash flow analysis:

1. Operating activities net cash flow refers to the net cash inflows of operating activities in the Cash Flow Table.
2. Capital expenditure refers to capital investment cash outflows each year.
3. Inventory increases is only included when ending balance is larger than beginning balance. If the inventory at the end of year is decreased, then it will be calculated as zero.
4. Cash dividends include common stock and preferred stock's cash dividends.
5. Fix asset's gross amount refers to the total fixed assets before deducting accumulated depression.

Note 5: The issuer shall divide operating costs and operating expenses as fixed or changed depending on the nature. If estimation or subjective judgment is involved, it shall pay attention to its rationality and maintain consistency.

III. Auditing report for recent annual financial statement prepared by supervisor

**CHIEFTEK PRECISION CO., LTD.
Supervisor's Auditing Report**

Hereby to approve,

The Board of Directors prepares the Financial Statement, Operating Report, and Earnings Distribution Plan for the year of 2023. The undersigned PwC TW CPA LIN YUNG-CHIH and TIEN CHUNG-YU have duly audited the 2023 Financial Statement, and issued recorded unqualified opinion auditing report. All statistical forms are reviewed and complied in accordance with the law after being reviewing by this Committee. In accordance with Article 219 of the Company Act, the Committee hereby approved the relevant Reports.

With respect,

CHIEFTEK PRECISION CO., LTD. 2023 SHAREHOLDERS' MEETING

CHIEFTEK PRECISION CO., LTD.

Chair of the Auditing Commission: HO MING-ZIH

February 26, 2024

IV. Recent annual financial statement: Please refer to Appendix 1.

V. The most recent annual financial statement to corporate entity audited and certified by accountant: Please refer to Appendix 2.

V. If any financial difficulties happen to the company and its affiliate enterprises by the deadline of annual report printing, then its impact on the company's financial condition is: None.

VII. REVIEW OF FINANCIAL CONDITIONS, FINANCIAL PERFORMANCE, AND RISK MANAGEMENT

I. Review and Analysis of Financial Condition

(I) Comparative analysis table of financial condition

Unit: NT\$ in thousands

Account subject	Year	2023	2022	Increased (decreased)	
		Amount	Amount	Amount	%
Current assets		1,814,988	1,933,408	(118,420)	(6.12%)
Property, plant and equipment		1,942,263	1,861,738	80,525	4.33%
Intangible assets		63,322	71,078	(7,756)	(10.91%)
Other assets		134,411	188,077	(53,666)	(28.53%)
Total assets		3,954,984	4,054,301	(99,317)	(2.45%)
Current liabilities		652,282	832,302	(180,020)	(21.63%)
Non-current liabilities		959,134	798,769	160,365	20.08%
Total liabilities		1,611,416	1,631,071	(19,655)	(1.21%)
Equity attributable to owners of the parent		2,343,568	2,423,230	(79,662)	(3.29%)
Capital stock		892,619	892,619	0	0.00%
Capital reserves		446,121	446,121	0	0.00%
Retained earnings		1,177,459	1,256,551	(79,092)	(6.29%)
Other equity interest		(25,061)	(24,491)	(570)	(2.33%)
Treasury stock		(147,570)	(147,570)	0	0.00%
Non-controlling interests		0	0	0	0.00%
Total equity		2,343,568	2,423,230	(79,662)	(3.29%)
Explain reasons for changes (Changes over 20% and the amount of change reach NT\$10 million or more):					
<ol style="list-style-type: none"> The other assets decreased by NT\$53,666 thousand compared to the previous period. The main reason is that the renewed renting amount from the Southern Taiwan Science Park has been reduced significantly due to our 20-year lease expiration. Therefore, the right-of-use assets decreased by NT\$46,443 thousand. The current liabilities decreased by NT\$180,020 thousand compared to the previous period. The main reason is that the revenue decreased by NT\$561,025 thousand and 34.30%, being affected by the economy. With the decrease of purchase amount, accounts payable and notes payable are decreased. Additionally, income tax charges, bonus payable, remuneration payable to employees and directors further decreased due to the decreasing profits: The non-current liabilities decreased by NT\$160,365 thousand compared to the previous period. The main reasons are: <ol style="list-style-type: none"> On January 3, 2024, the Company signed a joint granting contract of 2 billion with ten banks. On February 15, 2024, the first drawdown was processed and the balance of the 2020 joint credit loan of 2.9 billion was preferentially paid off. Therefore, the portion originally due within a year was recognized as a long-term loan in accordance with the IFRS regulations. Taipei Fubon Commercial Bank and Chinatrust Commercial Bank raised the credit limit of long-term loans. 					

II .Analysis of financial performance

(III) Comparative analysis table of financial performance:

Unit: NT\$ in thousands

Account subject \ Year	2023	2022	Increased (decreased)	
	Amount	Amount	Amount	%
Sales revenue	1,074,754	1,635,779	(561,025)	(34.30%)
Operating margin	468,647	709,924	(241,277)	(33.99%)
Operation profit and loss	117,582	375,954	(258,372)	(68.72%)
Non-operating income and expense	25,398	63,414	(38,016)	(59.95%)
Net profit before tax	142,980	439,368	(296,388)	(67.46%)
Net profit of the term to continuous operation unit	98,042	346,787	(248,745)	(71.73%)
Loss of discontinued operation	-	-	-	-
Net profit (loss) of the term	98,042	346,787	(248,745)	(71.73%)
Other comprehensive (loss) Income (net profit after tax)	(3,180)	27,168	(30,348)	(111.70%)
Total comprehensive income (loss)	94,862	373,955	(279,093)	(74.63%)
Net profit attributable to the owner of parent company	98,042	346,787	(248,745)	(71.73%)
Non-controlling interest's net profit	-	-	-	-
Parent company owner's consolidated profit	94,862	373,955	(279,093)	(74.63%)
Comprehensive profit attributable to the owner of parent company	-	-	-	-
Earnings per share (NT\$)	1.12	3.91	(2.79)	(71.36%)

Explain reasons for changes (Changes over 20% and the amount of change reach NT\$10 million or more):

- The current period sales revenue, operating margin, operation profit and loss, other comprehensive (loss) income, total comprehensive income (loss), and parent company owner's consolidated profit increased. The main reasons are:
 - Due to the ailing economy worldwide and the unfavorable economic effect of China in 2023, the sales revenue decreased by 34.30% and the operating margin decreased by 33.99%
 - With the restoration of exhibitions worldwide and the promotion of robotic arms and upper controller platforms, the operation expenditure increased.
- The net amount of non-operating income and expenses reduced NT\$38,016 thousand due to the appreciation of the New Taiwan Dollar in the second half of 2023, compared to the depreciation in 2022. A decrease of NT\$43,792 thousand was generated from the gap between NT\$19,470 thousand, the exchange profit in 2023, and NT\$63,262 thousand, the exchange profit in 2022.

(IV) The expected sales volume and its basis, the possible impact on the company's future financial business and the corresponding plan:

- Please refer to "Letter to Shareholders" for the expected sales volume and its basis.
- The possible impact on the Company's future financial business and the corresponding plan:

With the continuous business growth, the Company is also expanding in scales. In terms of finance, we look for long-term and stable funding resources to cover expenses and to

strengthen financial structure through improving finance ratios.

Through self-developed products, **cpc** satisfies customers' technical demands for total solution. By elevating the value and status in the market, the Company advances towards its goal of sustainable business. The Company will set sales targets and strive to achieve them based on market conditions and past experiences in the industry.

III. Cash flow

(I) Liquidity Analysis for the Current Year:

Unit: NT\$ in thousands

Account subject	Year	2023	2022 (Adjusted)	Increased (decreased)	
		Amount	Amount	Amount	%
Operating activities inflows (outflows)		(21,057)	432,264	(453,321)	(104.87%)
Investment activities inflows(outflows)		(174,325)	(211,511)	37,186	17.58%
Financial activities inflows (outflows)		105,918	(181,566)	287,484	158.34%
Effect of exchange rate		(661)	19,875	(20,536)	(103.33%)
Net cash inflows (outflows)		(90,125)	59,062	(149,187)	(252.59%)
<p>1. Decrease in net cash inflow from operating activities:</p> <p>(1) In the fiscal year of 2023, the sales revenue decreased by NT\$561,025 thousand, the operating margin decreased by NT\$241,277 thousand, the operation profit and loss decreased by NT\$258,372 thousand, and the net profit before tax decreased by NT\$296,388 thousand, comparing to that of 2022. The intangible assets impairment loss of NT\$12,874 thousand, which had been generated in 2021, were fully amortized. There was no such matter in the fiscal year of 2022; therefore, a difference of NT\$12,874 thousand was found.</p> <p>(2) The notes payable, accounts payable, and other payables in the year end of 2022 were paid off during the year of 2023, resulting in a cash outflow of NT\$179,332 thousand.</p> <p>(3) Due to a higher profit of 2022 than 2021, the income tax expenses increased during 2023 and further resulted in a cash outflow of NT\$51,630 thousand.</p> <p>2. Decrease in the net cash outflows from investment activities: The Phase 2 construction of the Tree Valley project has been partially completed, resulting in a decrease in the investment of the unfinished project.</p> <p>3. Increase in the net cash outflow from financial activities</p> <p>(1) The net cash inflows of operating activities decreased significantly by NT\$453,321 thousand, which was coped with through long-term and short-term loans.</p> <p>(2) Taipei Fubon Commercial Bank and Chinatrust Commercial Bank raised the credit limit of long-term loans.</p>					

(II) Remedy for Cash Flow analysis for coming year:

Unit: NT\$ in thousand

Cash Surplus in the beginning (1)	Estimated Cash Flow from Operating Activities for the Year (2)	Estimated Cash outflow for the Year (3)	Estimated Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Investment Plans
834,093	208,000	(500,000)	542,093	-	-
<p>Analysis of cash flow change for the coming year:</p> <p>1. Operating activities: Despite the continued impact of the COVID-19 pandemic and the economic slump in 2023, there are chances to break away from the haze and to generate net cash inflows from operating activities.</p> <p>2. Investment activities: It is expected that the net cash outflows from investment activities will be generated due to the ongoing process of “Phase 2 construction of Tree Valley Park” in 2024 and the purchases of related equipment.</p> <p>3. Financial activities: It is expected that the “Phase 2 construction of factory building on Tree Valley Park” will continue to require need of fund-raising and trigger a 7-year joint credit granted by 11 banks includes Mega International Commercial Bank and other banks. It is estimated that the increased long-term credit loan and the repayment for short-term loan would generate net cash inflow.</p>					

(III) Improvement plan for illiquidity:

The Company has no illiquidity issues in the most recent year.

IV. Analysis of cash flow change for the coming year:

(I) Reason for plant construction and benefits

Plant area	Products manufactured	Annual capacity	Remark
New construction of factory building on Phase II Tree Valley Park	Linear Guide	Expand the business scale and increase the operating revenue.	

1. Main reason for plant construction:

- (1) In order to deal with requirements of the market and sales and needs of the Company’s operation development in the future, the Company has planned to construct phase 2 factory and purchase related machines and equipment at Tree Valley Park.
- (2) Has improved the capacity of linear guide and linear motor (module).
- (3) Based on the needs of the Company’s future operations, has planned to build the new plants (Phase I and Phase II) on the land of Tree Valley Park, in order to meet the Company’s operational needs.

2. Benefits: Expand the business s scale and increase the operating revenue and profit.

(II)The impact on the Company’s financial business

Please refer to the description in Section III Cash Flow above.

V. Main causes for profits of losses, improvement plans and investment plans for the coming year

(I) The Company’s reinvestment policy shall focus on business-related field with an expectation to improve its overall operating performance. Relevant executive departments shall implement in accordance with internal control system “Investment Cycle” and “Procedures for Acquisition or Disposal of Assets”; stipulate “Subsidiary Management Approach” for internal control system to facilitate motoring each subsidiary to stipulate relevant operating procedure on major financial and business matters and establish subsidiary operating risk management system in accordance with laws to maximize the performance.

(II) Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:

Unit: NT\$ in thousand

Item	Description	Profit or loss amount of 2023	Main reason of profit or loss	Improvement plans	Investment plans for the coming year
	CHIEFTEK PRECISION HOLDING CO., LTD.	3,541	Recognized as profit and loss on investments of CHIEFTEK MACHINERY KUNSHAN CO., LTD.	-	None
	cpc Europa GmbH	17,926	Mainly due to growth of revenue.	-	Build new self-owned factories to reduce rental burden.
	Chieftek Precision International LLC	1,211	Mainly due to the rental income of leased real estate being greater than the daily operating expenses.	-	None
	CHIEFTEK PRECISION (HONG KONG) CO., LTD.	-	It has already been approved for deregistration by the Hong Kong Companies Registry on February 3, 2023.	-	Not applicable
	CHIEFTEK PRECISION USA CO., LTD.	9,245	Mainly due to growth of revenue.	-	None
	Chieftek Machinery Kunshan Co., Ltd.	3,554	Mainly due to the pandemic outbreak and looming economy of China. Both turnover and profit decreased compared to the previous year.	-	None

(III) The Investment Plan in for the Coming Year: Depending on the operating conditions the reinvestment business.

VI. Analysis of risk management

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

1. Interest Rates:

The Fed and ECB remain the policy interest rate unchanged. A few days ago, the BoJ initiated the normalization of monetary policy by raising the policy rate and terminating the control policy of negative interest rate and yield curve, but still maintained an accommodative monetary pace. The market expects the Fed and ECB to lower interest rates whereas Japan will increase interest rates once again. The market focus lies on the monetary policy movement of the central banks of the major economies, creating volatility in the

international financial markets. The Company's 2023 and 2022 annual interest payment are NT\$23,483 thousand and NT\$14,036 thousand respectively, accounting for 2.18% and 0.86% of Net Operating Revenue respectively.

- (1) The interest expense in fiscal year 2023 increased by NT\$ 9,447 thousand compared with fiscal year 2022, and due to the turnover in fiscal year 2023 decreased compared with fiscal year 2022, the ratio of interest expense to net revenue increased by 1.33%.
- (2) In 2022, the continued interest rate hikes by the central bank, along with the active construction of new plants (Phase II) in Tree Valley Park and the operational funding demand in Europe, have led to an increase in the interest expenses.
- (3) The Company regularly evaluates bank borrowing rates and maintains close contact with banks to obtain preferential interest rates and reduce interest expenses (the lowest interest was 1.35% by the end of 2023, which indicates the financial institutions are supporting the Company's performance). Therefore, the interest rate changes will not have a significant impact on the Company.

2. Exchange Rates:

The Company's export revenue is mainly in US dollars, Euros, and Yen, while the foreign currency is mainly in Euros and Yen. Therefore, parts of assets and liabilities have natural hedging effects. However, in response to the risk of exchange rate changes, the Company has actively collected exchange rate changes to grasp and research the trend of exchange rate, as well as take appropriate hedging measures to reduce the impact of exchange rate risk.

- (1) The Company's 2023 net profit on currency exchange was NT\$19,470 thousand and 2022 net loss on currency exchange was NT\$63,262 thousand, accounting for 1.81% and 3.87% of net operating revenue respectively. The main reason is the appreciation of the New Taiwan Dollar in 2022 and the depreciation in the second half of 2023. However, the proportion of exchange losses or gains to net operating revenue was not significant.
- (2) Overall, exchange rate factors have not yet constituted a significant risk burden on our profitability.

3. Inflation:

The global manufacturing and service industries are warming up and trading activities are gradually restoring. However, major banks of the U.S. and Europe still maintain high interest rates, which continue to restrain the motivation of growth in the global economy. As for inflation, the reducing rate of inflation is slowing down because the inflation rate of service remains high in the major economies. International institutions expect that the global economic growth rate for 2024 will be slightly lower than the previous year, and the inflation rate worldwide will continue to drop. Nonetheless, we will continue to closely monitor the economic environment and market price fluctuations to avoid suffering from the adverse effects of inflation and deflation to the greatest extent possible.

(II) Policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; Major reasons and future contingency plan for the profits/losses generated thereby:

- (1) The Company is dedicated to the operation of major business, and its financial policies are based on the conservative principle. The Company did not engage in any high-risk or high-leveraged investments.
- (2) As for lending funds to others, endorsement and guarantee, and the transaction of derivative products, in addition to cautious evaluation, regular reporting and monthly control, the operation of the Company all comply with the "Procedures for Lending Funds to Others", "Procedures for Endorsement and Guarantee", "Procedures for Financial Derivatives Transactions" and "Procedures for Acquisition or Disposal of Assets" passed by the Board of Directors.

- (3) For the situation of loans to other parties, endorsements, guarantees, and derivatives transactions for 2023 and the period up to the printing of the annual report, please refer to relevant descriptions in the financial report, tables, and figures.

(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

The company adheres to the concept of continuous research and development, and long-term cultivation of R&D personnel to conduct project research and develop new technologies, thereby enhancing our competitiveness. In 2023, we invested NT\$72,493 thousand in R&D, a decrease of NT\$1,436 thousand compared to the amount of NT\$73,929 thousand in 2022. However, the ratio of R&D expenses to the net rate operating income increased from 4.52% to 6.75% during the downturn, which demonstrates that **cpc** attaches great importance to research and development.

cpc's R&D products have evolved from simple mechanical and electrical components to the integration of mechanical and electrical components and software services. With the development of cpcCells, cpcRobot, and cpcStudio, we plan to increase our R&D budget to about NT\$80 billion in 2023.

cpc has also begun to build its own smart factory, where machine design, mechanical assembly, electrical engineering, programming, interface development, and data management can all use our own products and self-developed technologies to meet the needs of machine processing and factory IoT, and ultimately achieve the realization of the **cpc** smart factory.

(IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

1. In March 2022, the Taiwan Stock Exchange requested all listed OTC companies (i.e., all applicable companies regardless of level) to complete the "parent company" greenhouse gas inventory and verification schedule before the end of the second quarter of 2022, and submit it to the board of directors. In addition, before the end of the first quarter of 2023, the greenhouse gas inventory and verification schedule of the "Group (including all subsidiaries)" should be completed and submitted to the board of directors. Subsequently, the progress of the previous disclosure should be reported to the board of directors for control on a quarterly basis. For companies that need to complete the inventory after 2026 of application, they still have to report the implementation progress to the board of directors on a quarterly basis for control. The company will implement the regulations in accordance with the regulations and continue to discuss and respond to the relevant departments.

2. Compliance with the Financial Supervisory Commission for implementation of sustainable development

(1) Listed companies with a paid-in capital of more than 2 billion should prepare and file a 2024 annual sustainability report. (The first year's report should be completed and filed by the end of September 2025; the second year's report should be completed and filed by the end of June 2026. The FSC plans to advance the reporting date to the end of March of the following year.)

(2) The FSC has confirmed that companies with a capital of more than 10 billion should publish a 2026 annual sustainability report in 2027, which will further be expanded to include all listed companies.

3. The Company will comply with the regulations and continue to discuss with each department for corresponding handling.

(V) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

There is no obvious manufacturing or related technology change in the industry or market to which the Company belongs. Therefore, there is no significant effect on the financial or business of the Company. However, with the advancement of technology in the electronics and

semiconductor industries, the company will continue to invest in research and development resources, improve organizational efficiency, and pay close attention to market demands and trends to consolidate and expand market share.

- (VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

The Company's corporate image first focuses on integrity, upholding the people-oriented business philosophy, providing an environment that is challenging and full of learning, and giving full play to the potential of employees to continuously grow and expand their overall capabilities. The Company attracts outstanding talents, but does not seek illegal benefits. The Company concentrates on its own business operations with integrity, and abides by government laws and regulations to establish a fresh image in the industry with an international business model, always based on promoting social economy, improving environmental prosperity, and protecting employee welfare, and strictly abides by the laws and regulations of the competent authority. It can be seen that there is no incident of enterprise crisis management due to major changes.

- (VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans:

The Company has no ongoing merger and acquisition activities. In considering future M&A activities, the Company will evaluate their efficiency, risks, vertical integration and other factors in accordance with its internal control system to guarantee the Company's interests and original shareholders' equities.

- (VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:

The Company cautiously implements the plant expansion plan. Besides strengthening the financial structure through capital increase out of earnings, it also cooperates with bank club to acquire adequate funds. Moreover, the operating team of the Company owns rich industrial experience, understands the industrial demands for products, and can fully make use of the utilization rate of the new plant. The plant expansion of the Company goes through the complete, cautious and professional evaluation process. For any major capital expenditures, it shall report to director's meeting and fully considers the investment returns and possible risks.

To achieve the business goal of sustainable operation, the Company will complete the "Phase 2 Plant Construction in Tree Valley Park" and will continue to execute equipment installment, trial runs, and mass production. Please refer to "IV. Impact of Major Capital Expenditure Items on Financial Business" in Section VII. Review of Financial Conditions, Financial Performance, and Risk Management.

- (IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

1. Purchase

Based on industry's characteristics, quality rate, delivery and market supply and demand, the Company purchases most miniature linear guides and slide cold drawing steel from Company A (Taiwan is the main production base for the Company, so the main stock manufacture of the combined company shall be same with the parent company's). This manufacture is a world leading manufacture in cold drawing piece production, whose product quality is good. The Company has established cooperative relationship with it since the beginning and the long-term relationship is good. In order to maintain the elasticity with the supplier, the Company has not signed a long-term supply contract with Company A. And in order to avoid a shortage of materials and uncontrollable cost risk caused by a single supplier, in addition to maintain a good cooperative relationship with Company A, the Company is also actively seeking a new supplier to reduce the stock concentration. The purchase proportion from Company A has been reduced year by year since 2009 and the situation of stock concentration has been improved. The risk is limited.

2. Sales

The Company did not have customers accounting for more than 10% of net sales for the year of 2023. The Company will continue to develop new products and new customers. It is expected that there will not be circumstances affecting the normal operation due to concentrated sales.

(X) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings of Directors, Supervisors, or Shareholders with Shareholdings of over 10%:

As of the most recent fiscal year up to the date the annual report is printed, the shareholdings of the Company's directors and supervisors have been stable during the last few years, and there have been no major transfers or swaps of shares.

(XI) Effects of, Risks Relating to and Response to the Changes in Management Rights:

The Company's directors and supervisors actively participate in the Company's operation and the management class has stronger sense of mission to the Company, regarding company's operation as a tenure career. Our policy is to maintain a steady ownership and management structure. As of the date of this Annual Report, such risks were not identified by the Company.

(XII) Litigation or other non-litigation involved:

1. Until the printing date of Company's recent annual report, major ongoing lawsuits, non-lawsuits or administrative lawsuits, the matters that may have significant impact on shareholder's equity or security price are: None.
 - (1) **cpc** and its contractor Hua Feng Construction, has disputes on the contract execution and payment related to the construction of **cpc**'s factory in Tree Valley Park Phase I.
 - (2) Hua Feng Construction has filed **cpc** to the Tainan District Court to seek the construction payment with a payable amount of NT\$4,354 thousand and a balance amount of NT\$9,721 thousand, which is NT\$14,075 thousand in total.
 - (3) The Company claimed that there were defects in the construction work, the additional payment for the construction work had not been agreed upon, and that Hua Feng Construction had delayed the completion and acceptance of the construction work. A corresponding counterclaim was filed by the Company during March 2020, requesting Hua Feng Construction to compensate the Company for defects arising from the delay of 297 calendar days in the construction work. Furthermore, the Company had entrusted a manufacturer to evaluate the repair cost of the defects at approximately NT\$6,169 thousand, and claimed that Hua Feng Construction should pay the amount of NT\$36,366 thousand plus legal interest to offset the amount demanded legally by the plaintiff (i.e., the Company).
 - (4) The case was adjudicated in November 2023 (Case Number 109 Jian-Zhi 13)
 - A. For the reserved construction payment of NT\$9,721 thousand requested by Hua Feng Construction, the proceedings in the first instance recognized the amount of NT\$6,124 thousand, the rest overruled.
 - B. For the additional construction payment of NT\$4,354 thousand requested by Hua Feng Construction, the proceedings in the first instance recognized the amount of NT\$3,212 thousand and the amount of NT\$339 thousand of unlawful disposition, the rest overruled.
 - C. For the liquidated damages for delay payment of NT\$30,199 thousand requested by the Company, the proceedings in the first instance recognized the amount of NT\$8,555 thousand, the rest overruled.
 - (5) Hua Feng Construction has appealed against the loss of the case. The case is currently under trial at Taiwan High Court Tainan Branch and has not yet been concluded.
- Overall the above mentioned case has been handled by lawyers and it currently under legal proceedings. The disputed amount of compensation has no significant impact to the interest of shareholders and the price of the stock.

2. Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by the Company's director, supervisor, general manager, the actual head, major shareholder who holds more than 10% of the shares and affiliated company by the date of printing the annual report, with the matters that may have major effect on shareholder's equity or security price: None.
(XIII) Other significant risks and Response Measures: None.

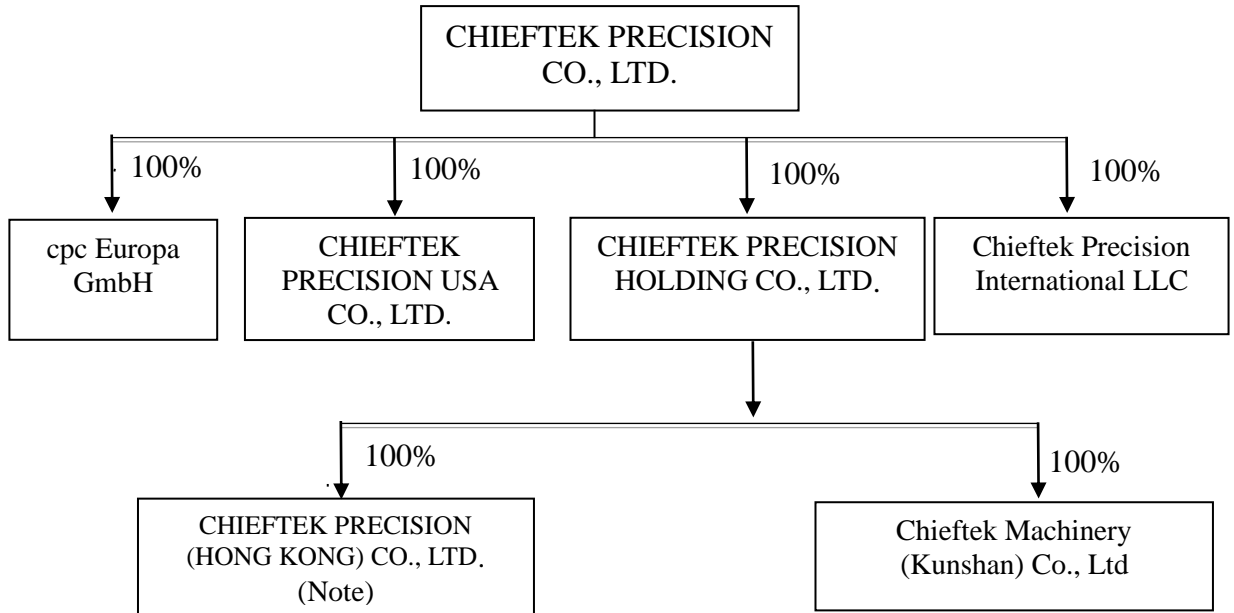
VII. Other important matters: None.

VIII. SPECIAL NOTES

I. Affiliate enterprises' relevant information

- (I) Affiliate enterprises consolidated financial statements: please refer to consolidated financial statements.
- (II) Affiliate enterprises consolidated operating report

1. Affiliate enterprises organizational table



Note: The deregistration was approved by Hong Kong Companies Registry on February 3, 2023.

2. Relationship between affiliate enterprises, shareholding ratio, share and actual investment amount

March 31, 2024; Unit: Shares in thousand / NT\$ in thousand

Affiliate enterprises name	The relationship with the Company	The company's shares held by the affiliate enterprises		Affiliate enterprises' shares held by the Company		
		Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Actual investment amount
CHIEFTEK PRECISION HOLDING CO., LTD.	The Company adopts equity method to evaluate invested company	-	-	5,100	100%	USD5,100
cpc Europa GmbH	The subsidiary CHIEFTEK PRECISION (HONG KONG) CO., LTD. adopts equity method to evaluate invested company	-	-	Note 1	100%	EUR2,500
Chieftek Precision International LLC	The Company adopts equity method to evaluate invested company	-	-	Note 3	100%	USD 3,600
CHIEFTEK PRECISION USA CO., LTD.	The Company adopts equity method to evaluate invested company	-	-	1,660	100%	USD1,660
CHIEFTEK PRECISION (HONG KONG) CO., LTD. (Note 4)	Affiliate enterprises (cpc holdings) adopt equity method to evaluate invested company	-	-	-	-	-
Chieftek Machinery Kunshan Co., Ltd.	Affiliate enterprises (cpc holdings) adopt equity method to evaluate invested company	-	-	Note 2	100%	USD5,100

Note 1: The German Company directly invested in by the Company is a limited liability company. No shares.

Note 2: The Mainland Chinese company indirectly invested in by the Company is a limited liability company. No shares.

Note 3: The US Company directly invested in by the Company is a limited liability company. No shares.

Note 4: It has already been approved for deregistration by the Hong Kong Companies Registry on February 3, 2023.

3. Basic documents of affiliate enterprises

March 31, 2024; Unit: US\$/EUR

Enterprise name	Establishment date	Address	Paid-in capital	Main business or production project
CHIEFTEK PRECISION HOLDING CO., LTD.	2007.12.20	Level 2.Lotemau Centre, Vaea Street, Apia, Samoa	USD 5,100,000	Investment holding
cpc Europa GmbH	2010.01.19	Industriepark 314,78244 Gottmadingen Germany	EUR 2,500,000	Marketing positions in Europe and after-sales services
Chieftek Precision International LLC	2017.07.17	2280 EAST LOCUST COURT ONTARIO, CA 91761	USD 3,600,000	Real estate leasing
CHIEFTEK PRECISION USA CO., LTD.	2008.01.08	2280 EAST LOCUST COURT ONTARIO, CA 91761	USD 1,660,000	Marketing positions in US and Canada, and after-sales services
CHIEFTEK PRECISION (HONG KONG) CO., LTD.	2008.09.26	Huamao Century Square 31 floor, Gloucester Road 178, Hong Kong	-	Investment holding
Chieftek Machinery Kunshan Co., Ltd.	2008.12.26	1F, No.3 Building, No. 789, Xintang Road, Yushan Town, Kunshan City	USD 5,100,000	Marketing positions in mainland, assembling and after-sales service

Note 1: It has already been approved for deregistration by the Hong Kong Companies Registry on February 3, 2023.

4. Same shareholder data of the one that presumed to have control and subordinate relationship: No.

5. The industries covered by the business operated by the overall affiliate enterprises are related to the business operated by each affiliate enterprise, which shall illustrate the division situation:

The business operated by the Company's affiliate enterprises are the same with the Company's, which are based on "linear motion key components", supporting each other in technology, capacity.

6. Documents of each affiliate enterprise's director, supervisor and general manager:

Unit: share in thousand

Enterprise name	Job Title	Name or Representative	Holding of shares	
			Shares	Shares
CHIEFTEK PRECISION HOLDING CO., LTD.	Director	CHIEFTEK PRECISION CO., LTD. Representative: CHEN LI-FEN	5,100	100%
cpc Eurpa GmbH	Director	CHIEFTEK PRECISION CO., LTD. Representative: CHEN LI-FEN	Non equity	100%
Chieftek Precision International LLC	Director	CHIEFTEK PRECISION CO., LTD. Representative: CHEN LI-FEN	Non equity	100%
CHIEFTEK PRECISION USA CO., LTD.	Director	CHIEFTEK PRECISION CO., LTD. Representative: CHEN LI-FEN	1,660	100%
CHIEFTEK PRECISION (HONG KONG) CO., LTD. (Note 1)	Director	CHIEFTEK PRECISION HOLDING CO., LTD. Representative: CHEN LI-FEN	-	-
Chieftek Machinery (Kunshan) Co., Ltd	Director	CHIEFTEK PRECISION (HONG KONG) CO.,LTD Representative: CHEN LI-FEN	Non equity	100%
	Supervisor	Representative: LI PAI-TSANG		
	Manager	General Manager: CHEN MIN-CHANG		

Note 1: It has already been approved for deregistration by the Hong Kong Companies Registry on February 3, 2023.

7. Operation situation of each affiliate enterprise

Unit: NT\$ in thousand

Enterprise name	Capital sum (in thousand)	Total assets	Total liabilities	Net value	Revenue	Sales revenue	Current profit and loss (after tax)	Earnings per share (dollar) (after tax)
CHIEFTEK PRECISION HOLDING CO., LTD.	USD 5,100	165,334	0	165,334	0	0	3,541	0.02
cpc Europa GmbH	EUR 2,500	241,926	179,706	62,220	364,209	14,437	17,926	Non-equity
Chieftek Precision International LLC	USD 3,600	198,798	85,966	112,832	11,130	3,729	1,211	Non-equity
CHIEFTEK PRECISION USA CO., LTD	USD 1,660	114,872	20,037	94,835	196,781	18,496	9,245	0.18
CHIEFTEK PRECISION (HONG KONG) CO., LTD (Note 1)	-	-	-	-	-	-	-	-
Chieftek Machinery Kunshan Co., Ltd.	RMB32,118	184,515	9,331	175,184	130,750	4,745	3,544	Non-equity

Note 1: It has already been approved for deregistration by the Hong Kong Companies Registry on February 3, 2023.

II. By the printing deadline of the latest annual report, the handling situation of private securities is: None.

III. By the printing deadline of the latest annual report, the company's stock held or disposed by subsidiary is: None.

IV. Other necessary supplementary instruction: None.

IX. BY THE PRINTING DEADLINE OF THE LATEST ANNUAL REPORT, THE MATTERS THAT PRESCRIBED IN SECURITIES EXCHANGE ACT ARTICLE 36, PARAGRAPH 3, ITEM 2 THAT HAVE GREAT IMPACT ON SHAREHOLDER'S EQUITY OR SECURITY PRICE ARE :
None.

Appendix 1: The Financial Statement for the Most Recent Fiscal Year

Appendix 2: The Individual Financial Statements for the Most Recent Fiscal Year, Certified by the CPA

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of CHIEFTEK PRECISION CO., LTD. and its subsidiaries (collectively referred herein as the "Group") as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee Interpretations, and Standing Interpretations Committee Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

Adequacy of allowance for valuation loss on individually recognized obsolete or damaged inventories

Description

Refer to Note 4(11) for the accounting policy on inventory, Note 5 for the information on accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(4) for the details of inventory.

The Group is primarily engaged in the manufacture and sales of linear guides and linear blocks. As the end-users require high-quality performances, there is a risk of inventory devaluation or obsolescence. The Group measures its inventories at the lower of cost and net realizable value. The net realizable value of the Group's inventories aged over a certain period is calculated based on the historical extent of inventory clearance and degree of price markdown. The allowance for valuation loss mainly arises from individually identified obsolete inventories, and the procedures of such identification involves subjective judgment, which might result in high degree of estimation uncertainty. Considering that the Group's inventory and the allowance for inventory valuation losses are material to the financial statements, we considered the allowance for inventory valuation loss as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in response to the abovementioned key audit matter:

- A. We obtained understanding of the Group's operations and its industry characteristic to assess the reasonableness of the Group's policies on and procedures for allowance for inventory valuation loss.
- B. We verified whether the dates used in the inventory aging reports that the Group applied to value inventories were accurate and complete. We recalculated and evaluated the reasonableness of allowance for inventory valuation losses in order to confirm whether the reported information was in line with the Group's policies.
- C. We selected samples from inventory items by each sequence number to verify its net realizable value and to evaluate the reasonableness of allowance for inventory valuation loss.

Authenticity of sales revenue

Description

Refer to Note 4(25) for the accounting policy on revenue recognition and Note 6(16) for the details of operating revenue.

The Group sells a variety of linear guides, ball screws and linear modules with a global target market, including Taiwan, Asia, Europe, America and so forth. Since the customers are numerous and located in different countries, and the number of transactions is voluminous, it takes a longer time to verify the existence of sales revenue. Thus, we considered the authenticity of sales revenue as one of the key audit matters for this year's audit.

How our audit addressed the matter

We performed the following audit procedures in response to the abovementioned key audit matter:

- A. We confirmed the process of revenue recognition, including reviewing customer basic information and credit limit table, revenue recognition basis, authorization procedures and collection processes. Also, we selected samples from different customers to evaluate the management's effectiveness of internal controls over sales revenue recognition.

- B. We performed a series verification sample test for the sales revenue transactions of the year, including vouching customers' orders, shipping orders, export declaration documents, customer receipt records and sales invoices or subsequent receipts, to confirm whether the sales revenue transactions really occurred.
- C. We sampled and tested the manual accounting entries recognized for sales revenue, including verifying the nature of the manual entries and checking the supporting documents. For the same purpose, we also sampled and checked the reasonableness of the debit notes issued after the balance sheet date and examined the related supporting documents.

Other matter - Parent company only financial statements

We have audited and expressed an unqualified opinion on the parent company only financial statements of CHIEFTEK PRECISION CO., LTD. as of and for the years ended December 31, 2023 and 2022.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee Interpretations, and Standing Interpretations Committee Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter

or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Yung-Chih

Independent Accountants

Yeh, Fang-Ting

PricewaterhouseCoopers, Taiwan

Republic of China

February 26, 2024

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
DECEMBER 31, 2023, DECEMBER 31, 2022 AND JANUARY 1, 2022
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2023		(Adjusted) December 31, 2022		(Adjusted) January 1, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 834,093	21	\$ 924,218	23	\$ 865,156	23
1136	Financial assets at amortized cost -	6(2) and 8						
	current		32,639	1	16,746	1	7,206	-
1150	Notes receivable, net	6(3)	15,656	-	13,930	-	46,317	1
1170	Accounts receivable, net	6(3) and 12	224,709	6	281,809	7	401,437	11
1200	Other receivables		2,960	-	5,269	-	6,756	-
130X	Inventories	5 and 6(4)	647,192	16	635,641	16	441,898	12
1410	Prepayments		57,739	2	55,795	1	45,386	1
11XX	Total current assets		<u>1,814,988</u>	<u>46</u>	<u>1,933,408</u>	<u>48</u>	<u>1,814,156</u>	<u>48</u>
Non-current assets								
1600	Property, plant and equipment	6(5) and 8	1,942,263	49	1,861,738	46	1,711,186	45
1755	Right-of-use assets	6(6)	77,470	2	123,913	3	123,377	3
1780	Intangible assets	6(7)	63,322	2	71,078	2	79,576	2
1840	Deferred income tax assets	6(23)	34,967	1	32,058	1	12,919	1
1915	Prepayments for equipment	6(5)	7,377	-	19,260	-	43,508	1
1920	Guarantee deposits paid		12,099	-	9,351	-	7,999	-
1990	Other non-current assets		2,498	-	3,495	-	4,478	-
15XX	Total non-current assets		<u>2,139,996</u>	<u>54</u>	<u>2,120,893</u>	<u>52</u>	<u>1,983,043</u>	<u>52</u>
1XXX	Total assets		<u>\$ 3,954,984</u>	<u>100</u>	<u>\$ 4,054,301</u>	<u>100</u>	<u>\$ 3,797,199</u>	<u>100</u>

(Continued)

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023, DECEMBER 31, 2022 AND JANUARY 1, 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2023		(Adjusted) December 31, 2022		(Adjusted) January 1, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Liabilities								
Current liabilities								
2100	Short-term borrowings	6(8) and 8	\$ 365,000	9	\$ 225,000	6	\$ 230,000	6
2130	Current contract liabilities	6(16)	440	-	664	-	2,626	-
2150	Notes payable		41,913	1	160,497	4	161,421	4
2170	Accounts payable		17,975	1	46,525	1	49,456	1
2200	Other payables	6(9)	112,141	3	164,912	4	169,011	5
2230	Current income tax liabilities	6(23)	29,880	1	88,497	2	50,557	2
2280	Current lease liabilities	6(6)	3,674	-	5,713	-	5,308	-
2320	Long-term liabilities, current portion	6(10), 8 and 9	81,259	2	140,494	3	78,553	2
21XX	Total current liabilities		<u>652,282</u>	<u>17</u>	<u>832,302</u>	<u>20</u>	<u>746,932</u>	<u>20</u>
Non-current liabilities								
2540	Long-term borrowings	6(10), 8 and 9	846,915	21	642,666	16	624,585	17
2570	Deferred income tax liabilities	6(23)	24,505	1	27,670	1	10,968	-
2580	Non-current lease liabilities	6(6)	78,778	2	122,488	3	121,278	3
2640	Net defined benefit liabilities	6(11)	8,936	-	5,945	-	7,481	-
25XX	Total non-current liabilities		<u>959,134</u>	<u>24</u>	<u>798,769</u>	<u>20</u>	<u>764,312</u>	<u>20</u>
2XXX	Total liabilities		<u>1,611,416</u>	<u>41</u>	<u>1,631,071</u>	<u>40</u>	<u>1,511,244</u>	<u>40</u>
Equity								
Share capital								
3110	Common stock	6(12)(15)	892,619	23	892,619	22	811,876	21
Capital reserves								
3200	Capital surplus	6(14)	446,121	11	446,121	11	440,667	12
Retained earnings								
3310	Legal reserve	6(15)	247,879	6	213,096	5	182,266	5
3320	Special reserve		24,491	1	50,626	1	36,323	1
3350	Unappropriated retained earnings		905,089	23	992,829	25	891,999	23
3400	Other equity interest		(25,061)	(1)	(24,491)	-	(50,626)	(1)
3500	Treasury stocks	6(12)	(147,570)	(4)	(147,570)	(4)	(26,550)	(1)
3XXX	Total equity		<u>2,343,568</u>	<u>59</u>	<u>2,423,230</u>	<u>60</u>	<u>2,285,955</u>	<u>60</u>
Significant Contingent Liabilities and 6(6) and 9								
Unrecognized Contract Commitments								
3X2X	Total liabilities and equity		<u>\$ 3,954,984</u>	<u>100</u>	<u>\$ 4,054,301</u>	<u>100</u>	<u>\$ 3,797,199</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
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	Year ended December 31			
			2023		2022 (Adjusted)	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(16)	\$ 1,074,754	100	\$ 1,635,779	100
5000	Operating costs	6(4)(11)(13)(21)(22)	(606,107)	(56)	(925,855)	(57)
5900	Net operating margin		468,647	44	709,924	43
	Operating expenses	6(7)(11)(13)(21)(22) and 7				
6100	Selling expenses		(121,824)	(11)	(126,228)	(8)
6200	General and administrative expenses		(152,673)	(14)	(133,684)	(8)
6300	Research and development expenses		(72,493)	(7)	(73,929)	(4)
6450	Expected credit impairment loss	12	(4,075)	(1)	(129)	-
6000	Total operating expenses		(351,065)	(33)	(333,970)	(20)
6900	Operating profit		117,582	11	375,954	23
	Non-operating income and expenses					
7100	Interest income	6(2)(17)	8,121	-	3,304	-
7010	Other income	6(18)	9,187	1	4,808	-
7020	Other gains and losses	6(19) and 12	19,403	2	63,280	4
7050	Finance costs	6(5)(6)(20)	(11,313)	(1)	(7,978)	-
7000	Total non-operating income and expenses		25,398	2	63,414	4
7900	Profit before income tax		142,980	13	439,368	27
7950	Income tax expense	6(23)	(44,938)	(4)	(92,581)	(6)
8200	Profit for the year		\$ 98,042	9	\$ 346,787	21
	Other comprehensive (loss) income (Net)					
	Components of other comprehensive (loss) income that will not be reclassified to profit or loss					
8311	Actuarial (loss) gain on defined benefit plans	6(11)	(\$ 3,263)	-	\$ 1,291	-
8349	Income tax related to components of other comprehensive income (loss) that will not be reclassified to profit or loss	6(23)	653	-	(258)	-
	Components of other comprehensive (loss) income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(570)	-	26,135	2
8300	Total other comprehensive (loss) income for the year		(\$ 3,180)	-	\$ 27,168	2
8500	Total comprehensive income for the year		\$ 94,862	9	\$ 373,955	23
	Earnings per share (in dollars)	6(24)				
9750	Basic		\$ 1.12		\$ 3.91	
9850	Diluted		\$ 1.12		\$ 3.90	

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital reserve	Retained Earnings			Other Equity Interest	Treasury stocks	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		
<u>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 year		-	-	-	-	346,787	-	-	346,787
Other comprehensive income for the year		-	-	-	-	1,033	26,135	-	27,168
Total comprehensive income for the year		-	-	-	-	347,820	26,135	-	373,955
Appropriations of 2021 earnings									
Legal reserve		-	-	30,830	-	(30,830)	-	-	-
Special reserve	6(15)	-	-	-	14,303	(14,303)	-	-	-
Cash dividends	6(15)	-	-	-	-	(121,114)	-	-	(121,114)
Stock dividends	6(12)(15)	80,743	-	-	-	(80,743)	-	-	-
Compensation cost recognized for transfer of treasury stocks	6(13)(14)(22)	-	5,534	-	-	-	-	-	5,534
Treasury stocks transferred to employees	6(12)(14)	-	(80)	-	-	-	-	26,550	26,470
Purchase of treasury stocks	6(12)	-	-	-	-	-	-	(147,570)	(147,570)
Balance at December 31, 2022		\$ 892,619	\$ 446,121	\$ 213,096	\$ 50,626	\$ 992,829	(\$ 24,491)	(\$ 147,570)	\$ 2,423,230
<u>2023</u>									
Balance at January 1, 2023		\$ 892,619	\$ 446,121	\$ 213,096	\$ 50,626	\$ 992,829	(\$ 24,491)	(\$ 147,570)	\$ 2,423,230
Profit for the year		-	-	-	-	98,042	-	-	98,042
Other comprehensive loss for the year		-	-	-	-	(2,610)	(570)	-	(3,180)
Total comprehensive income (loss) for the year		-	-	-	-	95,432	(570)	-	94,862
Appropriations of 2022 earnings									
Legal reserve		-	-	34,783	-	(34,783)	-	-	-
Cash dividends	6(15)	-	-	-	-	(174,524)	-	-	(174,524)
Reversal of special reserve	6(15)	-	-	-	(26,135)	26,135	-	-	-
Balance at December 31, 2023		\$ 892,619	\$ 446,121	\$ 247,879	\$ 24,491	\$ 905,089	(\$ 25,061)	(\$ 147,570)	\$ 2,343,568

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022 (Adjusted)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 142,980	\$ 439,368
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12	4,075	129
Loss on inventory market price decline	6(4)	1,840	6,164
Depreciation	6(5)(6)(21)	69,746	75,048
Gain on disposal of property, plant and equipment	6(19)	-	(19)
Amortization	6(7)(21)	10,094	9,900
Prepayments for equipment transferred to loss		-	138
Interest income	6(17)	(8,121)	(3,304)
Interest expense	6(20)	11,313	7,978
Compensation cost recognized for transfer of treasury stocks	6(13)(14)(22)	-	5,534
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(1,726)	32,387
Accounts receivable		53,294	119,244
Other receivables		2,309	1,487
Inventories		(13,977)	(202,821)
Prepayments		(1,944)	(10,409)
Changes in operating liabilities			
Current contract liabilities		(224)	(1,962)
Notes payable		(97,243)	11,885
Accounts payable		(28,550)	(2,931)
Other payables		(53,539)	6,545
Net defined benefit liabilities		(272)	(245)
Cash inflow generated from operations		90,055	494,116
Interest received		8,121	3,304
Interest paid		(10,257)	(7,820)
Income tax received		-	10
Income tax paid		(108,976)	(57,346)
Net cash flows (used in) from operating activities		(21,057)	432,264

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CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022 (Adjusted)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at amortized cost - current		(\$ 15,893)	(\$ 9,540)
Cash paid for acquisition of property, plant and equipment	6(25)	(101,088)	(173,504)
Interest paid for acquisition of property, plant and equipment	6(5)(20)(25)	(13,687)	(8,416)
Proceeds from disposal of property, plant and equipment		-	19
Acquisition of intangible assets	6(7)	(2,330)	(1,402)
Increase in prepayments for equipment		(39,576)	(18,299)
Increase in guarantee deposits paid		(2,748)	(1,352)
Decrease in other non-current assets		997	983
Net cash flows used in investing activities		(174,325)	(211,511)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(26)	1,116,900	1,315,000
Decrease in short-term borrowings	6(26)	(976,900)	(1,320,000)
Payments of lease liability	6(26)	(3,609)	(5,612)
Increase in long-term borrowings	6(26)	421,392	200,000
Decrease in long-term borrowings	6(26)	(277,341)	(128,740)
Payments of cash dividends	6(15)	(174,524)	(121,114)
Treasury stocks transferred to employees	6(12)	-	26,470
Purchase of treasury stocks	6(12)	-	(147,570)
Net cash flows from (used in) financing activities		105,918	(181,566)
Effect of foreign exchange rate changes on cash and cash equivalents		(661)	19,875
Net (decrease) increase in cash and cash equivalents		(90,125)	59,062
Cash and cash equivalents at beginning of year	6(1)	924,218	865,156
Cash and cash equivalents at end of year	6(1)	\$ 834,093	\$ 924,218

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

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 February 26, 2024.

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[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board (“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
Amendments to IAS 12, ‘International tax reform — pillar two model rules’	May 23, 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.

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

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024
Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’	January 1, 2024

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) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by IASB
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 21, ‘Lack of exchangeability’	January 1, 2025

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 MATERIAL ACCOUNTING POLICIES

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

(1) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC[®] Interpretations, and SIC[®] Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, 'Critical accounting judgments, estimates and key sources of assumption uncertainty'.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
 - (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or

losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Note
			December 31, 2023	December 31, 2022	
CHIEFTEK PRECISION CO., LTD. (“CHIEFTEK PRECISION”)	CHIEFTEK PRECISION HOLDING CO., LTD.	Professional investment	100	100	-
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION INTERNATIONAL LLC	Lease of real estate property	100	100	-
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION USA CO., LTD. (“cpc USA”)	Sales of high precision linear motion components and rendering after-sales service	100	100	-
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH (“cpc Europa”)	Sales of high precision linear motion components and rendering after-sales service	100	100	-
CHIEFTEK PRECISION HOLDING CO., LTD.	Chieftek Machinery (Kunshan) Co., Ltd. (“Chieftek (Kunshan)”)	Production, processing and sales of high precision linear motion components and after-sales service	100	100	-
CHIEFTEK PRECISION HOLDING CO., LTD.	CHIEFTEK PRECISION (Hong Kong) Co., Limited	Professional investment	-	100	Note 1

Note 1: The deregistration was approved by Hong Kong Companies Registry on February 3, 2023.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.

- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within 12 months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within 12 months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

(7) Financial assets at amortized cost

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

(8) Accounts and notes receivable

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

(11) Inventories

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

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Assets	Useful lives
Buildings and structures	2 ~ 50 years
Machinery and equipment	2 ~ 15 years
Transportation equipment	3 ~ 10 years
Office equipment	2 ~ 8 years
Leasehold improvements	3 ~ 15 years
Other equipment	2 ~ 10 years

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

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Amounts expected to be payable by the lessee under residual value guarantees.

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability; and
 - (b) Any lease payments made at or before the commencement date.

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

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

(14) Intangible assets

A. Trademarks and patents

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

B. Computer software

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

C. Turn-key professional technique

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

D. Other intangible assets

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

(15) Impairment of non-financial assets

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

(16) Borrowings

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

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

(17) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

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

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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.

(21) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.
- B. When treasury stocks are transferred to employees, the granted date is the date that subscription price and number of treasury stocks transferred to employees are resolved by the Board of Directors.

(22) Income tax

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

that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) Share capital

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

(24) Dividends

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

(25) Revenue recognition

Sales of goods

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

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

(26) Government grants

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

(27) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

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

B. As of December 31, 2023, the carrying amount of inventories was \$647,192.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

		(Adjusted)
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash:		
Cash on hand	\$ 1,506	\$ 1,656
Demand deposits of repatriating offshore funds (Note)	-	60,064
Checking accounts and demand deposits	<u>769,734</u>	<u>861,108</u>
	<u>771,240</u>	<u>922,828</u>
Cash Equivalents:		
Time deposits	<u>62,853</u>	<u>1,390</u>
	<u>\$ 834,093</u>	<u>\$ 924,218</u>

Note: Refer to Note 6(2), 'Financial assets at amortized cost - current'.

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 December 31, 2023 and 2022.

(2) Financial assets at amortized cost - current

		(Adjusted)
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Restricted time deposits	\$ 8,700	\$ 8,700
Time deposits with maturity of over 3 months	<u>23,939</u>	<u>8,046</u>
	<u>\$ 32,639</u>	<u>\$ 16,746</u>

A. In accordance with the revised regulations of IFRS FAQ issued by the Financial Supervisory Commission on January 5, 2024, the Group reclassified the undrawn balances of \$60,064 and \$63,206 in the repatriated capital special account which were applicable to "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" on December 31, 2022 and January 1, 2022 to cash and cash equivalents. As of December 31, 2022, cash and cash equivalents and financial assets at amortized cost - current were \$864,154 and \$924,218 before the adjustments and \$76,810 and \$16,746 after the adjustments, respectively; in the Group's statements of cash flows for the year ended December 31, 2022, cash flow used in financial assets at amortized cost and total net cash used in investing activities were \$6,398 and \$9,540 before the adjustments and \$208,369 and \$211,511 after the adjustments, respectively.

B. In accordance with the regulations mentioned in the previous paragraph, the Group also reclassified interest income for the year ended December 31, 2023 which belonged to the repatriated offshore funds account to interest income from bank deposits. The Group recognized interest income of \$682 and \$105 from financial assets at amortized cost for the years ended December 31, 2023 and 2022, respectively, shown as part of "Interest income".

- C. As of December 31, 2023 and 2022, 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.
- D. For more information about the Group's time deposits pledged to others as collateral as of December 31, 2023 and 2022, refer to Note 8, 'Pledged assets'.
- E. 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>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 15,656	\$ 13,930
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	\$ 244,840	\$ 298,134
Less: Allowance for doubtful accounts	(20,131)	(16,325)
	<u>\$ 224,709</u>	<u>\$ 281,809</u>

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

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 15,483	\$ 178,761	\$ 13,754	\$ 226,438
Up to 30 days	-	12,914	-	20,364
31 to 90 days	-	24,592	-	26,445
91 to 180 days	-	10,969	-	8,408
181 to 365 days	-	4,183	-	1,753
Over 365 days	173	13,421	176	14,726
	<u>\$ 15,656</u>	<u>\$ 244,840</u>	<u>\$ 13,930</u>	<u>\$ 298,134</u>

The above ageing analysis was based on past due date.

- B. The Group's notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2022, the balances of notes receivable and accounts receivable (including related parties) from contracts with customers amounted to \$463,695.
- 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 December 31, 2023 and 2022, 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

	December 31, 2023		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 46,872	(\$ 5,300)	\$ 41,572
Supplies	74,862	(18,712)	56,150
Work in process	317,360	(23,261)	294,099
Finished goods	288,510	(33,139)	255,371
	<u>\$ 727,604</u>	<u>(\$ 80,412)</u>	<u>\$ 647,192</u>

	December 31, 2022		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 68,489	(\$ 2,975)	\$ 65,514
Supplies	93,540	(13,426)	80,114
Work in process	236,998	(20,717)	216,281
Finished goods	314,600	(40,868)	273,732
	<u>\$ 713,627</u>	<u>(\$ 77,986)</u>	<u>\$ 635,641</u>

The cost of inventories recognized as expense for the year:

	For the years ended December 31,	
	2023	2022
Cost of goods sold	\$ 604,871	\$ 921,014
Loss on inventory market price decline	1,840	6,164
Loss (gain) on physical inventory	8 (716)
Revenue from sale of scraps	(612)	(607)
	<u>\$ 606,107</u>	<u>\$ 925,855</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, 2023</u>								
Cost	\$ 399,025	\$ 766,458	\$ 967,522	\$ 4,386	\$ 23,461	\$ 177,643	\$ 816,430	\$ 3,154,925
Accumulated depreciation	-	(211,231)	(896,856)	(3,278)	(21,432)	(160,390)	-	(1,293,187)
	<u>\$ 399,025</u>	<u>\$ 555,227</u>	<u>\$ 70,666</u>	<u>\$ 1,108</u>	<u>\$ 2,029</u>	<u>\$ 17,253</u>	<u>\$ 816,430</u>	<u>\$ 1,861,738</u>
<u>2023</u>								
At January 1, 2023	\$ 399,025	\$ 555,227	\$ 70,666	\$ 1,108	\$ 2,029	\$ 17,253	\$ 816,430	\$ 1,861,738
Additions	1,585	5,453	9,398	150	1,495	1,834	73,231	93,146
Transferred from prepayments for equipment	-	-	-	-	-	-	51,459	51,459
Transferred after acceptance inspection	-	3,264	12,645	-	-	2,987	(18,896)	-
Depreciation	-	(25,080)	(28,320)	(562)	(1,973)	(9,508)	-	(65,443)
Disposals – Cost	-	(1,232)	(24,818)	-	(344)	(3,177)	-	(29,571)
– Accumulated depreciation	-	1,232	24,818	-	344	3,177	-	29,571
Net currency exchange differences	1,081	47	169	3	15	48	-	1,363
At December 31, 2023	<u>\$ 401,691</u>	<u>\$ 538,911</u>	<u>\$ 64,558</u>	<u>\$ 699</u>	<u>\$ 1,566</u>	<u>\$ 12,614</u>	<u>\$ 922,224</u>	<u>\$ 1,942,263</u>
<u>At December 31, 2023</u>								
Cost	\$ 401,691	\$ 773,878	\$ 965,344	\$ 4,535	\$ 24,710	\$ 179,440	\$ 922,224	\$ 3,271,822
Accumulated depreciation	-	(234,967)	(900,786)	(3,836)	(23,144)	(166,826)	-	(1,329,559)
	<u>\$ 401,691</u>	<u>\$ 538,911</u>	<u>\$ 64,558</u>	<u>\$ 699</u>	<u>\$ 1,566</u>	<u>\$ 12,614</u>	<u>\$ 922,224</u>	<u>\$ 1,942,263</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
<hr/>								
At January 1, 2022	Land							
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>
<hr/>								
2022								
At January 1, 2022	\$ 365,709	\$ 561,505	\$ 93,069	\$ 1,637	\$ 2,082	\$ 27,448	\$ 659,736	\$ 1,711,186
Additions	26,798	3,245	8,721	47	1,196	1,785	116,517	158,309
Transferred from prepayments for equipment	-	-	-	-	-	-	42,409	42,409
Transferred after acceptance inspection	-	726	705	-	-	801	(2,232)	-
Depreciation	-	(21,569)	(32,053)	(581)	(1,317)	(12,837)	-	(68,357)
Disposals – Cost	-	-	(700)	(1,440)	(285)	(673)	-	(3,098)
– Accumulated depreciation	-	-	700	1,440	285	673	-	3,098
Net currency exchange differences	6,518	11,320	224	5	68	56	-	18,191
At December 31, 2022	<u>\$ 399,025</u>	<u>\$ 555,227</u>	<u>\$ 70,666</u>	<u>\$ 1,108</u>	<u>\$ 2,029</u>	<u>\$ 17,253</u>	<u>\$ 816,430</u>	<u>\$ 1,861,738</u>
<hr/>								
At December 31, 2022								
Cost	\$ 399,025	\$ 766,458	\$ 967,522	\$ 4,386	\$ 23,461	\$ 177,643	\$ 816,430	\$ 3,154,925
Accumulated depreciation	-	(211,231)	(896,856)	(3,278)	(21,432)	(160,390)	-	(1,293,187)
	<u>\$ 399,025</u>	<u>\$ 555,227</u>	<u>\$ 70,666</u>	<u>\$ 1,108</u>	<u>\$ 2,029</u>	<u>\$ 17,253</u>	<u>\$ 816,430</u>	<u>\$ 1,861,738</u>

- A. Property, plant and equipment of the Group were all for operating purposes as of December 31, 2023 and 2022.
- B. Amount of borrowing costs capitalized as part of property, plant and equipment and the interest rates for such capitalization are as follows:

	For the years ended December 31,	
	2023	2022
Amount capitalized	\$ 13,687	\$ 8,416
Interest rates for capitalization	1.76%	1.26%

- C. Information about the property, plant and equipment that were pledged to others as collateral as of December 31, 2023 and 2022 is provided in Note 8, 'Pledged assets'.

(6) Leasing arrangements – lessee

- A. The Group leases land in Southern Taiwan Science Park Bureau of the 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:

	December 31, 2023	December 31, 2022
Land	\$ 77,470	\$ 123,913

Depreciation charge:

	For the years ended December 31,	
	2023	2022
Land	\$ 4,303	\$ 6,691

- C. For the years ended December 31, 2023 and 2022, there were no additions to right-of-use assets; revaluations to right-of-use assets were (\$42,140) and \$7,227, respectively.
- D. The information on income and expense accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,517	\$ 2,358
Expense on short-term lease contracts	\$ 12,532	\$ 11,752

- E. For the years ended December, 2023 and 2022, the Group's total cash outflow for leases were \$17,658 and \$19,722, 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, 2023</u>						
Cost	\$ 685	\$ 12,103	\$ 13,336	\$ 90,718	\$ 60,000	\$ 176,842
Accumulated amortization	(584)	(5,144)	(12,820)	(27,216)	(13,500)	(59,264)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	<u>\$ 101</u>	<u>\$ 6,959</u>	<u>\$ 516</u>	<u>\$ 63,502</u>	<u>\$ -</u>	<u>\$ 71,078</u>
<u>2023</u>						
Net value at January 1, 2023	\$ 101	\$ 6,959	\$ 516	\$ 63,502	\$ -	\$ 71,078
Additions—acquired separately	-	878	1,452	-	-	2,330
Amortization	(11)	(755)	(257)	(9,071)	-	(10,094)
Net currency exchange differences	-	-	8	-	-	8
Net value at December 31, 2023	<u>\$ 90</u>	<u>\$ 7,082</u>	<u>\$ 1,719</u>	<u>\$ 54,431</u>	<u>\$ -</u>	<u>\$ 63,322</u>
<u>At December 31, 2023</u>						
Cost	\$ 685	\$ 12,981	\$ 14,885	\$ 90,718	\$ 60,000	\$ 179,269
Accumulated amortization	(595)	(5,899)	(13,166)	(36,287)	(13,500)	(69,447)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	<u>\$ 90</u>	<u>\$ 7,082</u>	<u>\$ 1,719</u>	<u>\$ 54,431</u>	<u>\$ -</u>	<u>\$ 63,322</u>

	Trademarks	Patents	Software	Turn-key professional technique	Others	Total
<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	107	771	524	-	-	1,402
Amortization	(6)	(715)	(107)	(9,072)	-	(9,900)
Net value at December 31, 2022	<u>\$ 101</u>	<u>\$ 6,959</u>	<u>\$ 516</u>	<u>\$ 63,502</u>	<u>\$ -</u>	<u>\$ 71,078</u>
<u>At December 31, 2022</u>						
Cost	\$ 685	\$ 12,103	\$ 13,336	\$ 90,718	\$ 60,000	\$ 176,842
Accumulated amortization	(584)	(5,144)	(12,820)	(27,216)	(13,500)	(59,264)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	<u>\$ 101</u>	<u>\$ 6,959</u>	<u>\$ 516</u>	<u>\$ 63,502</u>	<u>\$ -</u>	<u>\$ 71,078</u>

A. For the years ended December 31, 2023 and 2022, no borrowing costs were capitalized as part of intangible assets.

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

	For the years ended December 31,	
	2023	2022
General and administrative expenses	\$ 23	\$ 12
Research and development expenses	10,071	9,888
	<u>\$ 10,094</u>	<u>\$ 9,900</u>

(8) Short-term borrowings

Nature	December 31, 2023	Interest rate range	Collateral
Bank secured borrowings	\$ 30,000	1.81%	Buildings and structures
Bank unsecured borrowings	335,000	1.35%~1.88%	None
	<u>\$ 365,000</u>		
Nature	December 31, 2022	Interest rate range	Collateral
Bank unsecured borrowings	\$ 225,000	0.87%~1.40%	None

For more information about interest expense recognized by the Group for the years ended December 31, 2023 and 2022, refer to Note 6(20), 'Finance costs'.

(9) Other payables

	December 31, 2023	December 31, 2022
Accrued salaries and bonuses	55,594	71,127
Employees' compensation and directors' remuneration payable	13,478	22,500
Equipment payable	4,117	4,405
Miscellaneous payable	3,423	6,422
Others	35,529	60,458
	<u>\$ 112,141</u>	<u>\$ 164,912</u>

(10) Long-term borrowings

Nature	Expiry date	December 31, 2023	Interest rate range	Collateral
Long-term bank borrowings				
Secured borrowings	May 15, 2027~ August 25, 2028	\$ 549,388	1.73%~ 2.81%	Land, buildings and structures
Unsecured borrowings	February 25, 2025~ May 15, 2027	<u>378,786</u>	1.84%~ 4.56%	None
		928,174		
Less: Current portion		(<u>81,259</u>)		
		<u>\$ 846,915</u>		

Nature	Expiry date	December 31, 2022	Interest rate range	Collateral
Long-term bank borrowings				
Secured borrowings	March 20, 2025 ~ December 28, 2027	\$ 573,160	1.48% ~ 2.81%	Land, buildings and structures
Unsecured borrowings	February 25, 2025 ~ May 15, 2027	210,000	1.71% ~ 1.81%	None
		<u>783,160</u>		
Less: Current portion		(<u>140,494</u>)		
		<u>\$ 642,666</u>		

For more information about interest expense recognized by the Group for the years ended December 31, 2023 and 2022, refer to Note 6(20), '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) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	(\$ 16,184)	(\$ 12,731)
Fair value of plan assets	<u>7,248</u>	<u>6,786</u>
Net defined benefit liability	<u>(\$ 8,936)</u>	<u>(\$ 5,945)</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2023</u>			
At January 1	(\$ 12,731)	\$ 6,786	(\$ 5,945)
Interest (expense) income	(165)	88	(77)
	<u>(12,896)</u>	<u>6,874</u>	<u>(6,022)</u>
Remeasurements:			
Return on plan assets	-	25	25
Change in financial assumptions	(75)	-	(75)
Experience adjustments	(3,213)	-	(3,213)
	<u>(3,288)</u>	<u>25</u>	<u>(3,263)</u>
Pension fund contribution	-	349	349
Balance at December 31	<u>(\$ 16,184)</u>	<u>\$ 7,248</u>	<u>(\$ 8,936)</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2022</u>			
At January 1	(\$ 13,487)	\$ 6,006	(\$ 7,481)
Interest (expense) income	(94)	42	(52)
	<u>(13,581)</u>	<u>6,048</u>	<u>(7,533)</u>
Remeasurements:			
Return on plan assets	-	441	441
Change in financial assumptions	547	-	547
Experience adjustments	303	-	303
	<u>850</u>	<u>441</u>	<u>1,291</u>
Pension fund contribution	-	297	297
Balance at December 31	<u>(\$ 12,731)</u>	<u>\$ 6,786</u>	<u>(\$ 5,945)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the

deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2023	2022
Discount rate	1.20%	1.30%
Future salary increases	3.25%	3.25%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with Taiwan Life Insurance 6th Mortality Table for the years ended December 31, 2023 and 2022.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	(\$ 185)	\$ 192	\$ 168	(\$ 162)
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 212)	\$ 221	\$ 198	(\$ 191)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to \$360.

(g) As of December 31, 2023, the weighted average duration of the retirement plan is 6 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 8,735
2-5 years	3,221
Over 6 years	5,224
	<u>\$ 17,180</u>

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 years ended December 31, 2023 and 2022 were \$15,744 and \$19,836, respectively.

(12) Share capital

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

	For the years ended December 31,	
	2023	2022
Balance at beginning of year	87,262	80,743
Stock dividends	-	8,074
Treasury stocks transferred to employees	-	445
Purchase of treasury stocks	-	(2,000)
Balance at end of year	<u>87,262</u>	<u>87,262</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):

	For the year ended December 31, 2023			
	Shares at			Shares
	beginning	Increase	Decrease	at end
<u>Reason for reacquisition</u>	<u>of year</u>	<u>of year</u>	<u>of year</u>	<u>of year</u>
To be reissued to employees	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>

	For the year ended December 31, 2022			
	Shares at			Shares
	beginning	Increase	Decrease	at end
<u>Reason for reacquisition</u>	<u>of year</u>	<u>of year</u>	<u>of year</u>	<u>of year</u>
To be reissued to employees	<u>445</u>	<u>2,000</u>	<u>(445)</u>	<u>2,000</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. For the year ended December 31, 2022, treasury stocks purchased by the Company amounted to \$147,570 (2,000 thousand shares).

As of December 31, 2023 and 2022, the treasury shares both amounted to \$147,570.

(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.

(e) For the year ended December 31, 2022, the Company transferred treasury stocks to employees amounting to \$26,550 (445 thousand shares). The proceeds amounting to \$26,550 (net of related securities transaction tax amounting to \$26,470) and the difference of \$80 were recognized as deduction from capital surplus.

D. As of December 31, 2023, the Company's authorized capital was \$1,500,000 (including \$30,000 reserved for employee stock options), and the paid-in capital was \$892,619 (89,262 thousand shares) with par value of \$10 (in dollars) per share.

(13) Share-based payment

For the year ended December 31, 2022, the recognized compensation cost of treasury stock transferred to employees was \$5,534. The related details were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (thousand shares)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Treasury stocks transferred to employees	September 21, 2022	445	—	Vested immediately

There was no such situation for the year ended December 31, 2023.

(14) Capital reserve

<u>For the year ended December 31, 2023</u>	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Others</u>	<u>Total</u>
Balances at beginning and end of year	\$ 440,553	\$ 5,454	\$ 114	\$ 446,121

For the year ended December 31, 2022	Share premium	Treasury share transactions	Employee stock options	Others	Total
Balances at beginning of year	\$ 440,553	\$ -	\$ -	\$ 114	\$ 440,667
Compensation cost recognized for transfer of treasury stocks	-	-	5,534	-	5,534
Treasury stocks transferred to employees	-	5,454	(5,534)	-	(80)
Balances at end of year	<u>\$ 440,553</u>	<u>\$ 5,454</u>	<u>\$ -</u>	<u>\$ 114</u>	<u>\$ 446,121</u>

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

(15) Retained earnings

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

not be less than 10% of the total dividends distributed to shareholders. The Board of Directors of the Company shall adopt a resolution by a majority of more than two-thirds of the directors present to distribute whole or a part of the distributable dividends, bonuses, capital reserves or legal reserve in the form of cash, and report to the shareholders during their meetings. The above is not subject to provisions that require shareholders' approval.

- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. As of December 31, 2022, pursuant to the regulations for the deduction amount to stockholders' equity from other equity items, the Company has set aside special reserve of \$24,491, which cannot be distributed to shareholders.
- D. The Company recognized cash dividends distributed to owners amounting to \$174,524 (\$2.0 (in dollars) per share) and \$121,114 (\$1.5 (in dollars) per share) for the years ended December 31, 2023 and 2022, respectively. On May 27, 2022, the Company's stockholders resolved the distribution of stock dividends from 2021 earnings in the amount of \$80,743 (\$1.0 (in dollars) per share). On February 26, 2024, the Board of Directors proposed the distribution of cash dividends from 2023 earnings in the amount of \$69,809 (\$0.8 (in dollars) per share).

(16) Operating revenue

- A. The Group derives revenue from the transfer of goods at a point in time in segments. Revenue from contracts with customers is broken down by product category as follows:

	For the years ended December 31,	
	2023	2022
Miniature linear guides	\$ 612,175	\$ 988,078
Large linear guides	394,940	569,832
Linear motor	66,615	77,334
Others	1,024	535
Revenue from contracts with customers	<u>\$ 1,074,754</u>	<u>\$ 1,635,779</u>

- B. The Group has recognized revenue-related contract liabilities amounting to \$440, \$664 and \$2,626 as of December 31, 2023, December 31, 2022 and January 1, 2022, respectively. Revenue recognized that were included in the contract liability balance at the beginning of 2023 and 2022 for the years ended December 31, 2023 and 2022 were \$516 and \$1,489, respectively.

(17) Interest income

	For the years ended December 31,	
		(Adjusted)
	2023	2022
Interest income from bank deposits	\$ 7,424	\$ 3,190
Interest income from financial assets measured at amortized cost	682	105
Other interest income	15	9
	<u>\$ 8,121</u>	<u>\$ 3,304</u>

(Note) The detailed classification of the Group's interest income was readjusted in accordance with the regulations of the Financial Supervisory Commission FAQ, and related information is provided in Note 6(2), 'Financial assets at amortized cost- current'.

(18) Other income

	For the years ended December 31,	
	2023	2022
Government grants revenue	\$ 40	\$ 125
Other income – others	9,147	4,683
	<u>\$ 9,187</u>	<u>\$ 4,808</u>

(19) Other gains and losses

	For the years ended December 31,	
	2023	2022
Currency exchange gain	\$ 19,470	\$ 63,262
Gain on disposal of property, plant and equipment	-	19
Other losses	(67)	(1)
	<u>\$ 19,403</u>	<u>\$ 63,280</u>

(20) Finance costs

	For the years ended December 31,	
	2023	2022
Interest expense:		
Interest expense on bank borrowings	\$ 23,483	\$ 14,036
Interest expense on lease liabilities	1,517	2,358
Less: Capitalization of qualifying assets	(13,687)	(8,416)
	<u>\$ 11,313</u>	<u>\$ 7,978</u>

(21) Expenses by nature

	For the year ended December 31, 2023		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expense	\$ 208,893	\$ 166,954	\$ 375,847
Depreciation	40,435	29,311	69,746
Amortization	-	10,094	10,094
	<u>\$ 249,328</u>	<u>\$ 206,359</u>	<u>\$ 455,687</u>

	For the year ended December 31, 2022		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expense	\$ 334,644	\$ 161,333	\$ 495,977
Depreciation	48,264	26,784	75,048
Amortization	-	9,900	9,900
	<u>\$ 382,908</u>	<u>\$ 198,017</u>	<u>\$ 580,925</u>

(22) Employee benefit expense

	For the year ended December 31, 2023		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 166,517	\$ 145,227	\$ 311,744
Labor and health insurance expense	23,347	11,272	34,619
Pension costs	10,016	5,805	15,821
Other personnel expenses	9,013	4,650	13,663
	<u>\$ 208,893</u>	<u>\$ 166,954</u>	<u>\$ 375,847</u>

	For the year ended December 31, 2022		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 280,676	\$ 134,534	\$ 415,210
Employee compensation cost	249	5,285	5,534
Labor and health insurance expense	29,289	10,802	40,091
Pension costs	14,001	5,887	19,888
Other personnel expenses	10,429	4,825	15,254
	<u>\$ 334,644</u>	<u>\$ 161,333</u>	<u>\$ 495,977</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 years ended December 31, 2023 and 2022, the Company's employees' compensation were \$11,048 and \$18,500, respectively; while directors' remuneration were \$2,430 and \$4,000, respectively. The aforementioned amounts were recognized in salary expenses and were estimated and accrued based on the earnings of current year and the percentage specified in the

Articles of Incorporation of the Company.

The employees' compensation and directors' remuneration for 2022 as resolved by the Board of Directors were \$18,500 and \$4,000, respectively. The employees' compensation and directors' remuneration for 2022 as resolved by the Board of Directors were equal to the amounts recognized in the 2022 financial statements. The employees' compensation and directors' remuneration as resolved by the Board of Directors on February 2, 2024 were \$11,048 and \$2,430, respectively. The employees' compensation will be distributed in the form of cash.

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

(23) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2023	2022
Current income tax:		
Income tax incurred in current year	\$ 40,136	\$ 96,806
Tax on unappropriated earnings	3,732	-
Prior year income tax under (over) estimation	6,491	(1,530)
Total current income tax	<u>50,359</u>	<u>95,276</u>
Deferred income tax:		
Origination and reversal of temporary differences	(5,421)	(2,695)
Income tax expense	<u>\$ 44,938</u>	<u>\$ 92,581</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2023	2022
Remeasurement of defined benefit obligations	(\$ 653)	\$ 258

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 39,932	\$ 109,654
Effect of items exempt by tax regulation	(44)	(8,976)
Effect from investment tax credits	(5,173)	(6,567)
Tax on unappropriated earnings	3,732	-
Prior year's income tax under (over) estimation	6,491	(1,530)
Income tax expense	<u>\$ 44,938</u>	<u>\$ 92,581</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2023			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Loss on inventory market value decline	\$ 7,757	\$ 2,464	\$ -	\$ 10,221
Unused compensated absences	4,058	(239)	-	3,819
Unrealized gain on interaffiliates	18,324	(1,255)	-	17,069
Pensions	1,919	-	653	2,572
Unrealized loss on foreign currency exchange	-	1,286	-	1,286
	<u>\$ 32,058</u>	<u>\$ 2,256</u>	<u>\$ 653</u>	<u>\$ 34,967</u>
Deferred tax liabilities:				
Investment (income) loss	(\$ 23,763)	\$ 953	\$ -	(\$ 22,810)
Depreciation	(1,746)	51	-	(1,695)
Unrealized gain on foreign currency exchange	(2,161)	2,161	-	-
	<u>(\$ 27,670)</u>	<u>\$ 3,165</u>	<u>\$ -</u>	<u>(\$ 24,505)</u>
	<u>\$ 4,388</u>	<u>\$ 5,421</u>	<u>\$ 653</u>	<u>\$ 10,462</u>

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Loss on inventory market value decline	\$ 7,027	\$ 730	\$ -	\$ 7,757
Unused compensated absences	3,396	662	-	4,058
Unrealized gain on interaffiliates	50	18,274	-	18,324
Pensions	2,177	-	(258)	1,919
Unrealized loss on foreign currency exchange	269	(269)	-	-
	<u>\$ 12,919</u>	<u>\$ 19,397</u>	<u>(\$ 258)</u>	<u>\$ 32,058</u>
Deferred tax liabilities:				
Investment (income) loss	(\$ 9,170)	(\$ 14,593)	\$ -	(\$ 23,763)
Depreciation	(1,798)	52	-	(1,746)
Unrealized gain on foreign currency exchange	-	(2,161)	-	(2,161)
	<u>(\$ 10,968)</u>	<u>(\$ 16,702)</u>	<u>\$ -</u>	<u>(\$ 27,670)</u>
	<u>\$ 1,951</u>	<u>\$ 2,695</u>	<u>(\$ 258)</u>	<u>\$ 4,388</u>

D. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of February 26, 2024.

(25) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 93,146	\$ 158,309
Add: Opening balance of notes payable	22,828	35,637
Opening balance of payable for equipment	4,405	15,207
Less: Ending balance of notes payable	(1,487)	(22,828)
Ending balance of payable for equipment	(4,117)	(4,405)
Capitalization of interest	(13,687)	(8,416)
Cash paid during the year	<u>\$ 101,088</u>	<u>\$ 173,504</u>

B. Investing activities with no cash flow effects

	For the years ended December 31,	
	2023	2022
Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 51,459</u>	<u>\$ 42,409</u>

(26) Changes in liabilities from financing activities

	Short-term borrowings	Lease liability	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2023	\$ 225,000	\$ 128,201	\$ 783,160	\$ 1,136,361
Changes in cash flow from financing activities	140,000	(3,609)	144,051	280,442
Revaluations	-	(42,140)	-	(42,140)
Impact of changes in foreign exchange rate	-	-	963	963
At December 31, 2023	<u>\$ 365,000</u>	<u>\$ 82,452</u>	<u>\$ 928,174</u>	<u>\$ 1,375,626</u>

	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	(5,000)	(5,612)	71,260	60,648
Revaluations	-	7,227	-	7,227
Impact of changes in foreign exchange rate	-	-	8,762	8,762
At December 31, 2022	<u>\$ 225,000</u>	<u>\$ 128,201</u>	<u>\$ 783,160</u>	<u>\$ 1,136,361</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

None.

(2) Key management compensation

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$ 30,324	\$ 27,077

8. PLEDGED ASSETS

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

Asset pledged	Book value		Purpose of collateral
	December 31, 2023	December 31, 2022	
Restricted time deposits (Note 1)	\$ 8,700	\$ 8,700	Performance guarantee
Land (Note 2)	371,047	371,056	Guarantee for long-term borrowings
Buildings and structures- net(Note 2)	520,831	535,302	Guarantee for long and short-term borrowings
	<u>\$ 900,578</u>	<u>\$ 915,058</u>	

(Note 1) Listed as 'Financial assets at amortized cost - current'.

(Note 2) Listed as 'Property, plant and equipment'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2023 and 2022, the endorsements and guarantees provided by the Company to the subsidiary, cpc Europa GmbH, amounted to \$186,890 and \$—, respectively, and the actual amounts drawn down were \$122,328 and \$—, respectively.

(2) As of December 31, 2023 and 2022, the Group's remaining balance due for construction in progress and prepayments for equipment were \$164,838 and \$208,203, respectively.

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

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

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

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

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

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

As of December 31, 2023, 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 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.
- (iv) 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:

	<u>December 31, 2023</u>		
	<u>Foreign currency</u>	<u>Exchange</u>	<u>Book value</u>
	<u>amount (in thousands)</u>	<u>rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 11,553	30.705	\$ 354,749
JPY:NTD	126,745	0.2172	27,529
EUR:NTD	1,537	33.98	52,225
<u>Financial liabilities</u>			
<u>Monetary items</u>			
EUR:NTD	313	33.98	10,760

	December 31, 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	\$ 11,932	30.71	\$ 366,439
JPY:NTD	31,630	0.2324	7,351
EUR:NTD	2,633	32.72	86,156
<u>Financial liabilities</u>			
<u>Monetary items</u>			
JPY:NTD	5,187	0.2324	1,205
EUR:NTD	801	32.72	26,411

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 after tax for the years ended December 31, 2023 and 2022 would increase/decrease by \$3,390 and \$3,492, respectively.

- (v) The total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022 amounted to \$19,470 and \$63,262, 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 years ended December 31, 2023 and 2022, the Group's borrowings at variable rate were mainly denominated in NTD, EUR, 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 years ended December 31, 2023 and 2022 would have decreased/increased by \$1,879 and \$1,123, 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 based on the terms, there has been a significant increase in credit risk on that instrument. If the contract payment are past due over 365 days based on the terms, the default has occurred.
- 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 December 31, 2023 and 2022, the Group's written-off financial assets that are still under recourse procedures both amounted to \$3,895.
- 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. For the years ended December 31, 2023 and 2022, the Group's expected credit loss ranges from 0.03% to 35.81%, 100% and 0.03% to 22%, 100%, respectively; while loss allowance for accounts receivable amount to \$5,694, \$14,437 and \$1,599, \$14,726, respectively.
- VI. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	For the years ended December 31,	
	2023	2022
	Accounts receivable	Accounts receivable
At January 1	\$ 16,325	\$ 15,941
Provision for impairment	4,075	129
Effect of foreign exchange	(269)	255
At December 31	<u>\$ 20,131</u>	<u>\$ 16,325</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>December 31, 2023</u>	<u>December 31, 2022</u>
Floating rate:		
Expiring within one year	\$ 864,050	\$ 875,000
Expiring beyond one year	<u>2,524,562</u>	<u>2,620,000</u>
	<u>\$ 3,388,612</u>	<u>\$ 3,495,000</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>December 31, 2023</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	\$ 366,915	\$ -	\$ -	\$ -
Notes payable	41,913	-	-	-
Accounts payable	17,975	-	-	-
Other payables	112,141	-	-	-
Lease liability	5,126	5,126	15,378	71,760
Long-term borrowings (including current portion)	100,097	385,958	483,771	-

<u>December 31, 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	\$ 226,413	\$ -	\$ -	\$ -
Notes payable	160,497	-	-	-
Accounts payable	46,525	-	-	-
Other payables	164,912	-	-	-
Lease liability	7,970	7,970	23,909	111,576
Long-term borrowings (including current portion)	153,269	219,606	445,870	-

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 December 31, 2023 and 2022, 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.

13. SUPPLEMENTARY DISCLOSURES

(According to the regulatory requirement, only information for the year ended December 31, 2023 is disclosed.)

(1) Significant transactions information

A. Loans to others: None.

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

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

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

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

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

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

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

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

J. Significant inter-company transactions during the reporting period: 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) Measurement segment information

The chief operating decision-maker evaluates the performance of operating segments based on pretax income excluding non-recurring income. For details of operating segments' accounting policies, refer to Note 4.

(3) 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 year ended December 31, 2023					
	<u>CHIEFTEK PRECISION</u>	<u>Chieftek (Kunshan)</u>	<u>cpc Europa</u>	<u>cpc USA</u>	<u>Others</u>	<u>Total</u>
Segment revenue	\$ 795,982	\$ 130,750	\$ 364,209	\$ 196,781	\$ 11,130	\$ 1,498,852
Inter-segment revenue	412,657	-	311	-	11,130	424,098
External revenue	383,325	130,750	363,898	196,781	-	1,074,754
Interest income	5,289	1,428	14	963	427	8,121
Depreciation and amortization	69,377	155	2,543	4,418	3,347	79,840
Capital expenditures	124,785	-	7,423	2,844	-	135,052
Interest expense	7,245	-	1,590	-	2,478	11,313
Segment pre-tax income	128,810	5,274	19,688	19,459	1,672	174,903
Segment assets	3,226,258	174,625	241,926	113,337	198,838	3,954,984
Segment liabilities	1,382,671	3,238	138,093	2,983	84,431	1,611,416

For the year ended December 31, 2022

	CHIEFTEK PRECISION	Chieftek (Kunshan)	cpc Europa	cpc USA	Others	Total
Segment revenue	\$ 1,418,743	\$ 275,986	\$ 467,682	\$ 225,404	\$ 10,655	\$ 2,398,470
Inter-segment revenue	750,243	-	1,793	-	10,655	762,691
External revenue	668,500	275,986	465,889	225,404	-	1,635,779
Interest income	1,247	1,925	-	90	42	3,304
Depreciation and amortization	79,075	173	1,444	1,051	3,205	84,948
Capital expenditures	149,310	96	27,337	1,267	-	178,010
Interest expense	5,524	-	1	-	2,453	7,978
Segment pre-tax income	412,142	24,921	38,561	35,462	1,245	512,331
Segment assets	3,157,810	319,383	269,417	106,649	201,042	4,054,301
Segment liabilities	1,480,810	10,827	46,040	5,581	87,813	1,631,071

(4) 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 years ended December 31,	
	2023	2022
Reportable segments pre-tax income	\$ 173,231	\$ 511,086
Other segments pre-tax gain	1,672	1,245
Inter segments gain	(31,923)	(72,963)
Profit before income tax	\$ 142,980	\$ 439,368

(5) Information on products and services

The Group is engaged solely in the research and development, manufacture and sales of miniature linear guide, miniature ball screw, and miniature linear modules. Information relating to product sales revenue is provided in Note 6(16), 'Operating revenue'.

(6) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>	
	<u>Revenue (Note)</u>	<u>Non-current assets</u>	<u>Revenue (Note)</u>	<u>Non-current assets</u>
Germany	\$ 363,898	\$ 39,981	\$ 465,888	\$ 33,763
China	160,981	818	337,695	988
USA	196,781	163,410	225,404	168,365
Taiwan	116,162	1,888,721	188,425	1,876,368
Korea	52,785	-	84,304	-
Singapore	36,015	-	83,910	-
Others	148,132	-	250,153	-
	<u>\$ 1,074,754</u>	<u>\$ 2,092,930</u>	<u>\$ 1,635,779</u>	<u>\$ 2,079,484</u>

(Note) The revenue is classified based on the location of the customer's country.

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2023 and 2022 is as follows:

<u>Client</u>	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
A	\$ 52,785	CHIEFTEK PRECISION	\$ 83,798	CHIEFTEK PRECISION

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2023

Table 1

Expressed in thousands of NTD

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount during the year	Outstanding endorsement/ guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	\$ 468,714	\$ 190,905	\$ 186,890	\$ 122,328	\$ -	8%	\$ 1,171,184	Y	N	N	—

(Note 1) The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

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

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

- (1) The Company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(Note 3) (1) The limit of total amount of endorsements/guarantees is 50% of the Company's net worth of the latest financial statements, and the limit of total amount of endorsements/guarantees for a single party is 20% of the Company's net worth of the latest financial statements.

Between companies whose voting shares are held by the Company directly and indirectly more than 90%, an endorsement guarantee may be made and its amount shall not exceed 10% of the Company's net worth of the latest financial statements. However, this does not apply to inter-company endorsement guarantees where the Company directly or indirectly holds 100% of the voting shares.

- (2) For any endorsements or guarantees provided by the Company due to business dealings, except for the abovementioned limit, the amount of endorsements or guarantees shall be limited to the business dealing amount of the most recent year. The business dealing amount is product purchase or sale amount between the entities, whichever is higher.
- (3) Between companies whose voting shares are 100% held by the Company directly and indirectly, and the limit of total amount of endorsements/guarantees is 50% of the company's, who provide endorsement guarantee, net worth of the latest financial statements, and the limit of total amount of endorsements/guarantees to a single party is 20% of the company's, who provide endorsement guarantee, net worth of the latest financial statements.
- (4) The limit of total amount of endorsements/guarantees provided by the Company and subsidiaries is 50% of the Company's net worth of the latest financial statements, and the limit of total amount of endorsements/guarantees provided by the Company and subsidiaries to a single party is 20% of the Company's net worth of the latest financial statements.

(Note 4) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:30.705) as at December 31, 2023.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2023

Table 2

Expressed in thousands of NTD

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

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
CHIEFTEK PRECISION CO., LTD.	Sugu new factory construction phase II	May 17, 2019	\$ 467,579	\$ 467,579	Hong Sheng Construction Corp.	—	—	—	—	\$ -	Negotiation	Building for operation use Completed and awaiting acceptance	—

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 year ended December 31, 2023

Table 3

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	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)	(\$ 205,830)	(26%)	(Note 1)	\$ -	(Note 2)	\$ 41,613	24%	—
	Chieftek Machinery (Kunshan) Co., Ltd.	Subsidiary	(Sales)	(115,799)	(15%)	(Note 1)	-	(Note 2)	6,093	4%	—
cpc Europa GmbH	CHIEFTEK PRECISION CO., LTD.	Parent company	Purchases	205,830	90%	(Note 1)	-	(Note 3)	(41,613)	(100%)	—
Chieftek Machinery (Kunshan) Co., Ltd.	CHIEFTEK PRECISION CO., LTD.	Parent company	Purchases	115,799	100%	(Note 1)	-	(Note 3)	(6,093)	(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 payment terms to third parties are 30 to 60 days after monthly statements.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the year ended December 31, 2023

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	Endorsements and guarantees	\$ 186,890	—	5%
				Sales revenue	(205,830)	180 days after monthly-closing, T/T	(19%)
				Accounts receivable	41,613	—	1%
		CHIEFTEK PRECISION USA CO., LTD.	1	Sales revenue	(91,028)	180 days after monthly-closing, T/T	(8%)
				Accounts receivable	17,054	—	—
				Sales revenue	(115,799)	180 days after monthly-closing, T/T	(11%)
1	CHIEFTEK PRECISION USA CO., LTD.	CHIEFTEK PRECISION INTERNATINAL LLC	3	Accounts receivable	6,093	—	—
				Rent payment	11,130	—	1%
				Guarantee deposits paid	1,535	—	—

(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 1:30.705) as of December 31, 2023.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2023

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognized by the Company for the year ended December 31, 2023	Footnote
				Balance as of December 31, 2023	Balance as of December 31, 2022	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%	\$ 165,334	\$ 3,541	\$ 3,541	Subsidiary
	CHIEFTEK PRECISION INTERNATIONAL LLC	United States of America	Lease of real estate property	110,054	110,054	-	100%	112,832	1,211	1,211	Subsidiary
	CHIEFTEK PRECISION USA CO., LTD.	United States of America	Sales of high precision linear motion components and rendering after-sale services	50,027	50,027	1,660,000	100%	94,835	9,245	9,245	Subsidiary
	cpc Europa GmbH	Germany	Sales of high precision linear motion components and rendering after-sale services	98,695	98,695	-	100%	62,220	17,926	17,926	Subsidiary
CHIEFTEK PRECISION HOLDING CO., LTD.	Chieftek Precision (Hong Kong) Co., Limited	Hong Kong	Professional investment	-	28	-	-	-	-	-	Subsidiary (Note 1) (Note 2)

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

(Note 2) The deregistration was approved by Hong Kong Companies Registry on February 3, 2023.

(Note 3) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:30.705) as of December 31, 2023.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Basic information

For the year ended December 31, 2023

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, 2023	Amount remitted from Taiwan to Mainland China/		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2023 (Note 2)	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
					Amount remitted back to Taiwan for the year ended December 31, 2023	Remitted to Mainland China							
Chieftek Machinery (Kunshan) Co., Ltd	Production, processing and sales of high precision linear motion components and rendering after-sale services	\$ 156,596	Note 1	\$ 156,596	\$ -	\$ -	\$ 156,596	\$ 3,544	100%	\$ 3,544	\$ 175,184	\$ 258,373	—
<u>Company name</u>				<u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>								
CHIEFTEK PRECISION CO., LTD.		\$		156,596	\$	156,596	\$					1,406,141	

(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 audited by the parent company's auditors for the year ended December 31, 2023.

(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 1:30.705) as of December 31, 2023.

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 year ended December 31, 2023

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			Interest during the year ended December 31, 2023	Others
	Amount	%	Amount	%	Balance at December 31, 2023	%	Balance at December 31, 2023	Purpose	Maximum balance during the year ended December 31, 2023	Balance at December 31, 2023	Interest rate		
Chieftek Machinery (Kunshan) Co., Ltd	\$ 115,799	11%	\$ -	-	\$ 6,093	-	\$ -	-	\$ -	\$ -	-	\$ -	\$ -

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2023

Table 8

Expressed in shares

Name of the major shareholder	Number of shares		Ownership (%)
	Common stock		
Hsu, Ming-Che		6,137,271	6.87%
Xinzhide Investment Co., Ltd.		5,001,100	5.60%

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.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying parent company only balance sheets of CHIEFTEK PRECISION CO., LTD. (the "Company") as of December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's 2023 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2023 parent company only financial statements are stated as follows:

Adequacy of allowance for valuation loss on individually recognized obsolete or damaged inventories

Description

Refer to Note 4(10) for the accounting policy on inventory, Note 5 for the information on accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(4) for the details of inventory.

The Company is primarily engaged in the manufacture and sales of linear guides and linear blocks. As the end-users require high-quality performances, there is a risk of inventory devaluation or obsolescence. The Company measures its inventories at the lower of cost and net realizable value. The net realizable value of the Company's inventories aged over a certain period is calculated based on the historical extent of inventory clearance and degree of price markdown. The allowance for valuation loss mainly arises from individually identified obsolete inventories, and the procedures of such identification involves subjective judgment, which might result in high degree of estimation uncertainty. Considering that the Company's inventory and the allowance for inventory valuation losses are material to the financial statements, we considered the allowance for inventory valuation loss as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in response to the abovementioned key audit matter:

- A. We obtained understanding of the Company's operations and its industry characteristics to assess the reasonableness of the Company's policies on and procedures for allowance for inventory valuation loss.
- B. We verified whether the dates used in the inventory aging reports that the Company applied to value inventories were accurate and complete. We recalculated and evaluated the reasonableness of allowance for inventory valuation losses in order to confirm whether the reported information was in line with the Company's policies.
- C. We selected samples from inventory items by each sequence number to verify its net realizable value and to evaluate the reasonableness of allowance for inventory valuation loss.

Authenticity of sales revenue

Description

Refer to Note 4(25) for the accounting policy on revenue recognition and Note 6(17) for the details of operating revenue.

The Company sells a variety of linear guides, ball screws and linear modules with a global target market, including Taiwan, Asia, Europe, America and so forth. Since the customers are numerous and located in different countries, and the number of transactions is voluminous, it takes longer time to verify the existence of sales revenue. Thus, we considered the existence of sales revenue as one of the key audit matters for this year's audit.

How our audit addressed the matter

We performed the following audit procedures in response to the abovementioned key audit matter:

- A. We confirmed the process of revenue recognition, including reviewing customer basic information and credit limit table, revenue recognition basis, authorization procedures and collection processes. Also, we selected samples from different customers to evaluate the management's effectiveness of internal controls over sales revenue recognition.

- B. We performed a series verification sample test for the sales revenue transactions of the year, including vouching customers' orders, shipping orders, export declaration documents, customer receipt records and sales invoices or subsequent receipts, to confirm whether the sales revenue transactions really occurred.
- C. We sampled and tested the manual accounting entries recognized for sales revenue, including verifying the nature of the manual entries and checking the supporting documents. For the same purpose, we also sampled and checked the reasonableness of the debit notes issued after the balance sheet date and examined the related supporting documents.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance

with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Yung-Chih

Independent Accountants

Yeh, Fang-Ting

PricewaterhouseCoopers, Taiwan

Republic of China

February 26, 2024

The accompanying parent company only 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 parent company only 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.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023, DECEMBER 31, 2022 AND JANUARY 1, 2022
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2023		(Adjusted) December 31, 2022		(Adjusted) January 1, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 624,168	17	\$ 564,977	15	\$ 621,844	17
1136	Financial assets at amortized cost -	6(2) and 8						
	current		8,700	-	8,700	-	-	-
1150	Notes receivable, net	6(3)	5,855	-	7,690	-	29,896	1
1170	Accounts receivable, net	6(3) and 12	102,275	3	133,918	4	246,415	7
1180	Accounts receivable - related	6(3) and 7						
	parties		64,760	2	313,502	8	150,487	4
1200	Other receivables	7	1,606	-	113	-	2,955	-
130X	Inventories	5 and 6(4)	501,288	13	477,297	12	386,155	10
1410	Prepayments		56,074	2	53,483	1	41,001	1
11XX	Total current assets		<u>1,364,726</u>	<u>37</u>	<u>1,559,680</u>	<u>40</u>	<u>1,478,753</u>	<u>40</u>
Non-current assets								
1550	Investments accounted for under	6(5)						
	equity method		435,221	12	434,278	11	381,910	11
1600	Property, plant and equipment	6(6) and 8	1,739,775	47	1,659,368	43	1,549,834	42
1755	Right-of-use assets	6(7)	77,470	2	123,913	3	123,377	4
1780	Intangible assets	6(8)	62,265	1	71,078	2	79,576	2
1840	Deferred income tax assets	6(24)	34,967	1	32,058	1	12,919	-
1915	Prepayments for equipment	6(6)	7,377	-	19,260	-	43,508	1
1920	Guarantee deposits paid		2,604	-	3,267	-	3,941	-
1990	Other non-current assets		1,834	-	2,749	-	3,730	-
15XX	Total non-current assets		<u>2,361,513</u>	<u>63</u>	<u>2,345,971</u>	<u>60</u>	<u>2,198,795</u>	<u>60</u>
1XXX	Total assets		<u>\$ 3,726,239</u>	<u>100</u>	<u>\$ 3,905,651</u>	<u>100</u>	<u>\$ 3,677,548</u>	<u>100</u>

(Continued)

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023, DECEMBER 31, 2022 AND JANUARY 1, 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2023		(Adjusted) December 31, 2022		(Adjusted) January 1, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Liabilities								
Current liabilities								
2100	Short-term borrowings	6(9) and 8	\$ 365,000	10	\$ 225,000	6	\$ 230,000	6
2130	Current contract liabilities	6(17)	133	-	153	-	1,741	-
2150	Notes payable		41,913	1	160,497	4	161,421	5
2170	Accounts payable		17,972	-	46,513	1	49,114	1
2200	Other payables	6(10) and 7	94,548	3	122,708	3	137,871	4
2230	Current income tax liabilities	6(24)	25,545	1	69,484	2	43,987	1
2280	Current lease liabilities	6(7)	3,674	-	5,713	-	5,308	-
2320	Long-term liabilities, current portion	6(11), 8 and 9	78,472	2	137,778	4	76,174	2
21XX	Total current liabilities		<u>627,257</u>	<u>17</u>	<u>767,846</u>	<u>20</u>	<u>705,616</u>	<u>19</u>
Non-current liabilities								
2540	Long-term borrowings	6(11), 8 and 9	643,195	17	558,472	14	546,250	15
2570	Deferred income tax liabilities	6(24)	24,505	1	27,670	1	10,968	1
2580	Non-current lease liabilities	6(7)	78,778	2	122,488	3	121,278	3
2640	Net defined benefit liabilities	6(12)	8,936	-	5,945	-	7,481	-
25XX	Total non-current liabilities		<u>755,414</u>	<u>20</u>	<u>714,575</u>	<u>18</u>	<u>685,977</u>	<u>19</u>
2XXX	Total liabilities		<u>1,382,671</u>	<u>37</u>	<u>1,482,421</u>	<u>38</u>	<u>1,391,593</u>	<u>38</u>
Equity								
Share capital								
3110	Common stock	6(13)(16)	892,619	24	892,619	23	811,876	22
Capital reserves								
3200	Capital surplus	6(15)	446,121	12	446,121	11	440,667	12
Retained earnings								
3310	Legal reserve	6(16)	247,879	7	213,096	6	182,266	5
3320	Special reserve		24,491	1	50,626	1	36,323	1
3350	Unappropriated retained earnings		905,089	24	992,829	26	891,999	24
3400	Other equity interest	6(5)	(25,061)	(1)	(24,491)	(1)	(50,626)	(1)
3500	Treasury stocks	6(13)	(147,570)	(4)	(147,570)	(4)	(26,550)	(1)
3XXX	Total equity		<u>2,343,568</u>	<u>63</u>	<u>2,423,230</u>	<u>62</u>	<u>2,285,955</u>	<u>62</u>
Significant Contingent Liabilities and 6(7) and 9								
Unrecognized Contract Commitments								
3X2X	Total liabilities and equity		<u>\$ 3,726,239</u>	<u>100</u>	<u>\$ 3,905,651</u>	<u>100</u>	<u>\$ 3,677,548</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	Year ended December 31			
			2023		2022 (Adjusted)	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(17) and 7	\$ 795,982	100	\$ 1,418,743	100
5000	Operating costs	6(4)(12)(14)(22)(23) and 7	(526,661)	(66)	(893,324)	(63)
5900	Gross profit		269,321	34	525,419	37
5910	Unrealized gain from inter-affiliate accounts	6(5)	(85,343)	(11)	(91,619)	(6)
5920	Realized gain from inter-affiliate accounts	6(5)	91,619	11	44,889	3
5950	Net operating margin		275,597	34	478,689	34
	Operating expenses	6(8)(12)(14)(22)(23) and 7				
6100	Selling expenses		(37,003)	(5)	(53,454)	(4)
6200	General and administrative expenses		(89,970)	(11)	(80,033)	(6)
6300	Research and development expenses		(72,492)	(9)	(74,130)	(5)
6450	Expected credit impairment gain (loss)	12	49	-	(35)	-
6000	Total operating expenses		(199,416)	(25)	(207,652)	(15)
6900	Operating profit		76,181	9	271,037	19
	Non-operating income and expenses					
7100	Interest income	6(2)(18)	5,289	1	1,247	-
7010	Other income	6(19)	2,291	-	1,403	-
7020	Other gains and losses	6(20) and 12	20,371	3	71,016	5
7050	Finance costs	6(6)(7)(21)	(7,245)	(1)	(5,524)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(5)	31,923	4	72,963	5
7000	Total non-operating income and expenses		52,629	7	141,105	10
7900	Profit before income tax		128,810	16	412,142	29
7950	Income tax expense	6(24)	(30,768)	(4)	(65,355)	(5)
8200	Profit for the year		\$ 98,042	12	\$ 346,787	24
	Other comprehensive income (loss)(Net)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial (loss) gain on defined benefit plan	6(12)	(\$ 3,263)	-	\$ 1,291	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	653	-	(258)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(5)	(570)	-	26,135	2
8300	Other comprehensive (loss) income for the year		(\$ 3,180)	-	\$ 27,168	2
8500	Total comprehensive income for the year		\$ 94,862	12	\$ 373,955	26
	Earnings per share (in dollars)	6(25)				
9750	Basic		\$ 1.12		\$ 3.91	
9850	Diluted		\$ 1.12		\$ 3.90	

The accompanying notes are an integral part of these parent company only financial statements.

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital reserve	Retained Earnings			Other Equity Interest	Treasury stocks	Total
				Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		
<u>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 year		-	-	-	-	346,787	-	-	346,787
Other comprehensive income for the year	6(5)	-	-	-	-	1,033	26,135	-	27,168
Total comprehensive income for the year		-	-	-	-	347,820	26,135	-	373,955
Appropriations of 2021 earnings:									
Legal reserve		-	-	30,830	-	(30,830)	-	-	-
Special reserve	6(16)	-	-	-	14,303	(14,303)	-	-	-
Cash dividends	6(16)	-	-	-	-	(121,114)	-	-	(121,114)
Stock dividends	6(13)(16)	80,743	-	-	-	(80,743)	-	-	-
Compensation cost recognized for transfer of treasury stocks	6(14)(15)(23)	-	5,534	-	-	-	-	-	5,534
Treasury stocks transferred to employees	6(13)(15)	-	(80)	-	-	-	-	26,550	26,470
Purchase of treasury stocks	6(13)	-	-	-	-	-	-	(147,570)	(147,570)
Balance at December 31, 2022		\$ 892,619	\$ 446,121	\$ 213,096	\$ 50,626	\$ 992,829	(\$ 24,491)	(\$ 147,570)	\$ 2,423,230
<u>2023</u>									
Balance at January 1, 2023		\$ 892,619	\$ 446,121	\$ 213,096	\$ 50,626	\$ 992,829	(\$ 24,491)	(\$ 147,570)	\$ 2,423,230
Profit for the year		-	-	-	-	98,042	-	-	98,042
Other comprehensive loss for the year	6(5)	-	-	-	-	(2,610)	(570)	-	(3,180)
Total comprehensive income (loss) for the year		-	-	-	-	95,432	(570)	-	94,862
Appropriations of 2022 earnings:									
Legal reserve		-	-	34,783	-	(34,783)	-	-	-
Cash dividends	6(16)	-	-	-	-	(174,524)	-	-	(174,524)
Reversal of special reserve	6(16)	-	-	-	(26,135)	26,135	-	-	-
Balance at December 31, 2023		\$ 892,619	\$ 446,121	\$ 247,879	\$ 24,491	\$ 905,089	(\$ 25,061)	(\$ 147,570)	\$ 2,343,568

The accompanying notes are an integral part of these parent company only financial statements.

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022 (Adjusted)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 128,810	\$ 412,142
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment (gain) loss	12	(49)	35
Loss on inventory market price decline	6(4)	12,319	3,649
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(5)	(31,923)	(72,963)
Unrealized gain from inter-affiliate accounts	6(5)	85,343	91,619
Realized gain from inter-affiliate accounts	6(5)	(91,619)	(44,889)
Depreciation	6(6)(7)(22)	59,283	69,175
Gain on disposal of property, plant and equipment	6(20)	-	(19)
Amortization	6(8)(22)	10,094	9,900
Prepayments for equipment transferred to loss		-	138
Interest income	6(18)	(5,289)	(1,247)
Interest expense	6(21)	7,245	5,524
Compensation cost recognized for transfer of treasury stocks	6(14)(15)(23)	-	5,534
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		1,835	22,206
Accounts receivable		31,692	112,462
Accounts receivable - related parties		248,742	(163,015)
Other receivables		(1,493)	2,842
Inventories		(36,310)	(94,791)
Prepayments		(2,591)	(12,482)
Changes in operating liabilities			
Current contract liabilities		(20)	(1,588)
Notes payable		(97,243)	11,885
Accounts payable		(28,541)	(2,601)
Other payables		(28,324)	(4,510)
Net defined benefit liabilities		(272)	(245)
Cash inflow generated from operations		261,689	348,761
Dividends received	6(5)	36,686	-
Interest received		5,289	1,247
Interest paid		(6,793)	(5,375)
Income tax paid		(80,128)	(42,553)
Net cash flows from operating activities		<u>216,743</u>	<u>302,080</u>

(Continued)

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022 (Adjusted)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at amortized cost - current		\$ -	(\$ 8,700)
Cash paid for acquisition of property, plant and equipment	6(26)	(91,870)	(144,804)
Interest paid for acquisition of property, plant and equipment	6(6)(21)(26)	(13,687)	(8,416)
Proceeds from disposal of property, plant and equipment		-	19
Acquisition of intangible assets	6(8)	(1,281)	(1,402)
Increase in prepayments for equipment		(39,576)	(18,299)
Decrease in guarantee deposits paid		663	674
Decrease in other non-current assets		915	981
Net cash flows used in investing activities		<u>(144,836)</u>	<u>(179,947)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(27)	1,116,900	1,315,000
Decrease in short-term borrowings	6(27)	(976,900)	(1,320,000)
Payments of lease liability	6(27)	(3,609)	(5,612)
Increase in long-term borrowings	6(27)	300,000	200,000
Decrease in long-term borrowings	6(27)	(274,583)	(126,174)
Payments of cash dividends	6(16)	(174,524)	(121,114)
Treasury stocks transferred to employees	6(13)	-	26,470
Purchase of treasury stocks	6(13)	-	(147,570)
Net cash flows used in financing activities		<u>(12,716)</u>	<u>(179,000)</u>
Net increase (decrease) in cash and cash equivalents		59,191	(56,867)
Cash and cash equivalents at beginning of year	6(1)	<u>564,977</u>	<u>621,844</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 624,168</u>	<u>\$ 564,977</u>

The accompanying notes are an integral part of these parent company only financial statements.

CHIEFTEK PRECISION CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

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 is 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 parent company only financial statements were authorized for issuance by the Board of Directors on February 26, 2024.

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[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board (“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
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

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

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards 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 21, 'Lack of exchangeability'	January 1, 2025

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(1) Statement of compliance

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(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, these parent company only financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC[®] Interpretations, and SIC[®] Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5, critical accounting judgements, estimates and key sources of assumption uncertainty.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

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

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;

- (c) Assets that are expected to be realized within 12 months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within 12 months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

(6) Financial assets at amortized cost

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

(7) Accounts and notes receivable

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Inventories

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

(11) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company’s profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company’s interest in that subsidiary, the Company continues to recognize its share in the subsidiary’s loss proportionately.

- D. Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- E. According to Regulations Governing the Preparation of Financial Statements by Securities Issuers, “Profit for the year” and “Other comprehensive income for the year” reported in an entity’s nonconsolidated statement of comprehensive income, shall equal to “profit for the year” and “Other comprehensive income” attributable to owners of the parent reported in that entity’s consolidated statement of comprehensive income. Total equity reported in an entity’s non-consolidated financial statements, shall equal to equity attributable to owners of parent reported in that entity’s consolidated financial statements.

(12) Property, plant and equipment

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

<u>Assets</u>	<u>Useful lives</u>
Buildings and structures	2 ~ 50 years
Machinery and equipment	2 ~ 12 years
Transportation equipment	5 years
Office equipment	2 ~ 8 years
Other equipment	2 ~ 10 years

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

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Amounts expected to be payable by the lessee under residual value guarantees.

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability; and
 - (b) Any lease payments made at or before the commencement date.

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

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

(14) Intangible assets

- A. Trademarks and patents

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

- B. Computer software

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

C. Turn-key professional technique

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

D. Other intangible assets

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

(15) Impairment of non-financial assets

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

(16) Borrowings

- A. Borrowings comprise long-term and short-term banks loans. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a other non-current assets for liquidity services and amortized over the period of the facility to which it relates.

(17) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

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

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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 Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.
- B. When treasury stocks are transferred to employees, the granted date is the date that subscription price and number of treasury stocks transferred to employees are resolved by the Board of Directors.

(22) Income tax

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

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) Share capital

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

(24) Dividends

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

(25) Revenue recognition

Sales of goods

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

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

(26) Government grants

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

- A. As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is calculated based on the inventory clearance and historical date of discounts. Therefore, there might be material changes to the evaluation.
- B. As of December 31, 2023, the carrying amount of inventories was \$501,288.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

		(Adjusted)
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash:		
Cash on hand	\$ 1,263	\$ 1,599
Demand deposits of repatriating offshore funds (Note)	-	60,064
Checking accounts and demand deposits	<u>622,905</u>	<u>503,314</u>
	<u>\$ 624,168</u>	<u>\$ 564,977</u>

Note: Refer to Note 6(2), 'Financial assets at amortized cost - current'.

- A. The Company 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 Company has no cash and cash equivalents pledged to others as of December 31, 2023 and 2022.

(2) Financial assets at amortized cost - current

		(Adjusted)
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Restricted time deposits	<u>\$ 8,700</u>	<u>\$ 8,700</u>

- A. In accordance with the revised regulations of IFRS FAQ issued by the Financial Supervisory Commission on January 5, 2024, the Company reclassified the undrawn balances of \$60,064 and \$63,206 in the repatriated capital special account which were applicable to "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" on December 31, 2022 and January 1, 2022 to cash and cash equivalents. As of December 31, 2022, cash and cash equivalents and financial assets at amortized cost - current were \$504,913 and \$564,977 before the adjustments and \$68,764 and \$8,700 after the adjustments, respectively; in the Company's statements of cash flows for the year ended December 31, 2022, cash flow used in financial assets at amortized cost and total net cash used in investing activities were \$5,558 and \$8,700 before the adjustments and \$176,805 and \$179,947 after the adjustments, respectively.
- B. In accordance with the regulations mentioned in the previous paragraph, the Company also reclassified interest income for the year ended December 31, 2023 which belonged to the repatriated offshore funds account to interest income from bank deposits. The Company recognized interest income of \$133 and \$55 from financial assets at amortized cost for the years ended December 31, 2023 and 2022, respectively, shown as part of "Interest income".

- C. As of December 31, 2023 and 2022, 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 Company was its book value.
- D. For more information about the Company's time deposits pledged to others as collateral as of December 31, 2023 and 2022, refer to Note 8, 'Pledged assets'.
- E. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2), 'Financial instruments'. The counterparties of the Company's investments in certificates of deposits are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable, net

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 5,855	\$ 7,690
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	\$ 103,094	\$ 134,786
Less: Allowance for doubtful accounts	(819)	(868)
	<u>\$ 102,275</u>	<u>\$ 133,918</u>

- A. The ageing analysis of notes receivable and accounts receivable (including related parties) is as follows:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 5,855	\$ 160,605	\$ 7,690	\$ 448,288
31 to 90 days	-	7,249	-	-
	<u>\$ 5,855</u>	<u>\$ 167,854</u>	<u>\$ 7,690</u>	<u>\$ 448,288</u>

The above ageing analysis was based on past due date.

- B. The Company's notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2022, the balances of notes receivable and accounts receivable (including related parties) from contracts with customers amounted to \$427,631.
- 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 Company's notes and accounts receivable was its book value.
- D. As of December 31, 2023 and 2022, the Company 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

	December 31, 2023		
	<u>Cost</u>	<u>Allowance for market price decline</u>	<u>Book value</u>
Raw materials	\$ 46,872	(\$ 5,300)	\$ 41,572
Supplies	70,490	(18,308)	52,182
Work in progress	315,628	(23,245)	292,383
Finished goods	<u>119,402</u>	<u>(4,251)</u>	<u>115,151</u>
	<u>\$ 552,392</u>	<u>(\$ 51,104)</u>	<u>\$ 501,288</u>

	December 31, 2022		
	<u>Cost</u>	<u>Allowance for market price decline</u>	<u>Book value</u>
Raw materials	\$ 68,489	(\$ 2,975)	\$ 65,514
Supplies	88,881	(12,198)	76,683
Work in progress	235,274	(20,481)	214,793
Finished goods	<u>123,438</u>	<u>(3,131)</u>	<u>120,307</u>
	<u>\$ 516,082</u>	<u>(\$ 38,785)</u>	<u>\$ 477,297</u>

The cost of inventories recognized as expense for the year:

	For the years ended December 31,	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 515,162	\$ 890,342
Allowance for inventory market price decline	12,319	3,649
Gain on physical inventory	(208)	(60)
Revenue from sale of scraps	<u>(612)</u>	<u>(607)</u>
	<u>\$ 526,661</u>	<u>\$ 893,324</u>

(5) Investments accounted for under equity method

A. Movements in investments accounted for under equity method were as follows:

	For the years ended December 31,	
	2023	2022
At January 1	\$ 434,278	\$ 381,910
Share of profit or loss of subsidiaries, associates and joint ventures accounted for under equity method	31,923	72,963
Cash dividends under equity method	(36,686)	-
Other equity interest-financial statements translation differences of foreign operations	(570)	26,135
Unrealized gain from downstream sales	(85,343)	(91,619)
Realized gain from downstream sales	91,619	44,889
At December 31	<u>\$ 435,221</u>	<u>\$ 434,278</u>

B. Details of investments accounted for under equity method

	December 31, 2023	December 31, 2022
CHIEFTEK PRECISION HOLDING CO., LTD.	\$ 165,334	\$ 205,729
CHIEFTEK PRECISION INTERNATIONAL LLC	112,832	111,657
CHIEFTEK PRECISION USA CO., LTD.	94,835	78,093
cpc Europa GmbH	62,220	38,799
	<u>\$ 435,221</u>	<u>\$ 434,278</u>

C. For more information regarding the subsidiaries of the Company, refer to Note 4(3), 'Basis of consolidation' in the 2023 consolidated financial statements.

D. As of December 31, 2023 and 2022, no investments accounted for under equity method held by the Company were pledged to others.

(6) Property, plant and equipment

		Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>At January 1, 2023</u>								
Cost	\$ 316,864	\$ 623,531	\$ 939,145	\$ 2,972	\$ 17,520	\$ 172,327	\$ 816,430	\$ 2,888,789
Accumulated depreciation	-	(180,793)	(873,414)	(2,048)	(16,707)	(156,459)	-	(1,229,421)
	<u>\$ 316,864</u>	<u>\$ 442,738</u>	<u>\$ 65,731</u>	<u>\$ 924</u>	<u>\$ 813</u>	<u>\$ 15,868</u>	<u>\$ 816,430</u>	<u>\$ 1,659,368</u>
<u>2023</u>								
At January 1	\$ 316,864	\$ 442,738	\$ 65,731	\$ 924	\$ 813	\$ 15,868	\$ 816,430	\$ 1,659,368
Additions	-	2,678	5,314	-	1,113	1,592	73,231	83,928
Transferred from prepayments for equipment	-	-	-	-	-	-	51,459	51,459
Transferred after acceptance inspection	-	3,264	12,645	-	-	2,987	(18,896)	-
Depreciation	-	(18,069)	(26,599)	(500)	(707)	(9,105)	-	(54,980)
Disposals — Cost	-	(1,232)	(24,818)	-	(344)	(3,177)	-	(29,571)
— Accumulated depreciation	-	1,232	24,818	-	344	3,177	-	29,571
At December 31	<u>\$ 316,864</u>	<u>\$ 430,611</u>	<u>\$ 57,091</u>	<u>\$ 424</u>	<u>\$ 1,219</u>	<u>\$ 11,342</u>	<u>\$ 922,224</u>	<u>\$ 1,739,775</u>
<u>At December 31, 2023</u>								
Cost	\$ 316,864	\$ 628,241	\$ 932,286	\$ 2,972	\$ 18,289	\$ 173,729	\$ 922,224	\$ 2,994,605
Accumulated depreciation	-	(197,630)	(875,195)	(2,548)	(17,070)	(162,387)	-	(1,254,830)
	<u>\$ 316,864</u>	<u>\$ 430,611</u>	<u>\$ 57,091</u>	<u>\$ 424</u>	<u>\$ 1,219</u>	<u>\$ 11,342</u>	<u>\$ 922,224</u>	<u>\$ 1,739,775</u>

		Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>At January 1, 2022</u>								
Cost	\$ 316,864	\$ 620,372	\$ 930,401	\$ 4,412	\$ 17,104	\$ 170,144	\$ 659,736	\$ 2,719,033
Accumulated depreciation	-	(163,080)	(843,555)	(2,920)	(15,634)	(144,010)	-	(1,169,199)
	<u>\$ 316,864</u>	<u>\$ 457,292</u>	<u>\$ 86,846</u>	<u>\$ 1,492</u>	<u>\$ 1,470</u>	<u>\$ 26,134</u>	<u>\$ 659,736</u>	<u>\$ 1,549,834</u>
<u>2022</u>								
At January 1	\$ 316,864	\$ 457,292	\$ 86,846	\$ 1,492	\$ 1,470	\$ 26,134	\$ 659,736	\$ 1,549,834
Additions	-	2,433	8,721	-	471	1,467	116,517	129,609
Transferred from prepayments for equipment	-	-	-	-	-	-	42,409	42,409
Transferred after acceptance inspection	-	726	705	-	-	801	(2,232)	-
Depreciation	-	(17,713)	(30,541)	(568)	(1,128)	(12,534)	-	(62,484)
Disposals – Cost	-	-	(682)	(1,440)	(55)	(85)	-	(2,262)
– Accumulated depreciation	-	-	682	1,440	55	85	-	2,262
At December 31	<u>\$ 316,864</u>	<u>\$ 442,738</u>	<u>\$ 65,731</u>	<u>\$ 924</u>	<u>\$ 813</u>	<u>\$ 15,868</u>	<u>\$ 816,430</u>	<u>\$ 1,659,368</u>
<u>At December 31, 2022</u>								
Cost	\$ 316,864	\$ 623,531	\$ 939,145	\$ 2,972	\$ 17,520	\$ 172,327	\$ 816,430	\$ 2,888,789
Accumulated depreciation	-	(180,793)	(873,414)	(2,048)	(16,707)	(156,459)	-	(1,229,421)
	<u>\$ 316,864</u>	<u>\$ 442,738</u>	<u>\$ 65,731</u>	<u>\$ 924</u>	<u>\$ 813</u>	<u>\$ 15,868</u>	<u>\$ 816,430</u>	<u>\$ 1,659,368</u>

- A. Property, plant and equipment of the Company were all for operating purposes as of December 31, 2023 and 2022.
- B. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	For the years ended December 31,	
	2023	2022
Amount capitalized	\$ 13,687	\$ 8,416
Interest rates for capitalization	1.76%	1.26%

- C. Information about the property, plant and equipment that were pledged to others as collateral as of December 31, 2023 and 2022 is provided in Note 8, 'Pledged assets'.

(7) Leasing arrangements – lessee

- A. The Company leases land in Southern Taiwan Science Park Bureau of the 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:

	December 31, 2023	December 31, 2022
Land	\$ 77,470	\$ 123,913

Depreciation charge:

	For the years ended December 31,	
	2023	2022
Land	\$ 4,303	\$ 6,691

- C. For the years ended December 31, 2023 and 2022, there were no additions to right-of-use assets; revaluations to right-of-use assets were (\$42,140) and \$7,227, respectively.
- D. The information on income and expense accounts relating to lease contracts is as follows:

<u>Items affecting profit or loss</u>	For the years ended December 31,	
	2023	2022
Interest expense on lease liabilities	\$ 1,517	\$ 2,358
Expense on short-term lease contracts	\$ 1,831	\$ 2,311

- E. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$6,957 and \$10,281, respectively.

(8) 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, 2023</u>						
Cost	\$ 685	\$ 12,103	\$ 11,020	\$ 90,718	\$ 60,000	\$ 174,526
Accumulated amortization	(584)	(5,144)	(10,504)	(27,216)	(13,500)	(56,948)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	<u>\$ 101</u>	<u>\$ 6,959</u>	<u>\$ 516</u>	<u>\$ 63,502</u>	<u>\$ -</u>	<u>\$ 71,078</u>
<u>2023</u>						
Net value at January 1, 2023	\$ 101	\$ 6,959	\$ 516	\$ 63,502	\$ -	\$ 71,078
Additions — acquired separately	-	878	403	-	-	1,281
Amortization	(11)	(755)	(257)	(9,071)	-	(10,094)
Net value at December 31, 2023	<u>\$ 90</u>	<u>\$ 7,082</u>	<u>\$ 662</u>	<u>\$ 54,431</u>	<u>\$ -</u>	<u>\$ 62,265</u>
<u>At December 31, 2023</u>						
Cost	\$ 685	\$ 12,981	\$ 11,423	\$ 90,718	\$ 60,000	\$ 175,807
Accumulated amortization	(595)	(5,899)	(10,761)	(36,287)	(13,500)	(67,042)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	<u>\$ 90</u>	<u>\$ 7,082</u>	<u>\$ 662</u>	<u>\$ 54,431</u>	<u>\$ -</u>	<u>\$ 62,265</u>

	<u>Trademarks</u>	<u>Patents</u>	<u>Software</u>	<u>Turn-key professional technique</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2022</u>						
Cost	\$ 578	\$ 11,332	\$ 10,496	\$ 90,718	\$ 60,000	\$ 173,124
Accumulated amortization	(578)	(4,429)	(10,397)	(18,144)	(13,500)	(47,048)
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	107	771	524	-	-	1,402
Amortization	(6)	(715)	(107)	(9,072)	-	(9,900)
Net value at December 31, 2022	<u>\$ 101</u>	<u>\$ 6,959</u>	<u>\$ 516</u>	<u>\$ 63,502</u>	<u>\$ -</u>	<u>\$ 71,078</u>
<u>At December 31, 2022</u>						
Cost	\$ 685	\$ 12,103	\$ 11,020	\$ 90,718	\$ 60,000	\$ 174,526
Accumulated amortization	(584)	(5,144)	(10,504)	(27,216)	(13,500)	(56,948)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	<u>\$ 101</u>	<u>\$ 6,959</u>	<u>\$ 516</u>	<u>\$ 63,502</u>	<u>\$ -</u>	<u>\$ 71,078</u>

A. For the years ended December 31, 2023 and 2022, no borrowing costs were capitalized as part of intangible assets.

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

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
General and administrative expenses	\$ 23	\$ 12
Research and development expenses	10,071	9,888
	<u>\$ 10,094</u>	<u>\$ 9,900</u>

(9) Short-term borrowings

<u>Nature</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank secured borrowings	\$ 30,000	1.81%	Buildings and Structures
Bank unsecured borrowings	335,000	1.35% ~ 1.88%	None
	<u>\$ 365,000</u>		
<u>Nature</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank unsecured borrowings	\$ 225,000	0.87% ~ 1.40%	None

For more information about interest expense recognized by the Company for the years ended December 31, 2023 and 2022, refer to Note 6(21), 'Finance costs'.

(10) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accrued salaries and bonuses	\$ 50,786	\$ 60,770
Employees' compensation and directors' remuneration payable	13,478	22,500
Equipment payable	4,117	4,405
Miscellaneous payable	3,423	6,422
Others	22,744	28,611
	<u>\$ 94,548</u>	<u>\$ 122,708</u>

(11) Long-term borrowings

<u>Nature</u>	<u>Expiry date</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Long-term bank borrowings				
Secured borrowings	May 15, 2027~ August 25, 2028	\$ 465,209	1.73%~ 1.84%	Land, buildings and structures
Unsecured borrowings	February 25, 2025~ May 15, 2027	256,458	1.84%~ 1.90%	None
		721,667		
Less: Current portion		(78,472)		
		<u>\$ 643,195</u>		

<u>Nature</u>	<u>Expiry date</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Long-term bank borrowings				
Secured borrowings	March 20, 2025~ November 29, 2027	\$ 486,250	1.48%~ 1.96%	Land, buildings and structures
Unsecured borrowings	February 25, 2025~ May 15, 2027	210,000	1.71%~ 1.81%	None
		696,250		
Less: Current portion		(137,778)		
		<u>\$ 558,472</u>		

For more information about interest expense recognized by the Company for the years ended December 31, 2023 and 2022, refer to Note 6(21), 'Finance cost'.

(12) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	(\$ 16,184)	(\$ 12,731)
Fair value of plan assets	<u>7,248</u>	<u>6,786</u>
Net defined benefit liability	<u>(\$ 8,936)</u>	<u>(\$ 5,945)</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2023</u>			
Balance at January 1	(\$ 12,731)	\$ 6,786	(\$ 5,945)
Interest (expense) income	(165)	<u>88</u>	(77)
	<u>(12,896)</u>	<u>6,874</u>	<u>(6,022)</u>
Remeasurements:			
Return on plan assets	-	25	25
Change in financial assumptions	(75)	-	(75)
Experience adjustments	(3,213)	-	(3,213)
	<u>(3,288)</u>	<u>25</u>	<u>(3,263)</u>
Pension fund contribution	<u>-</u>	<u>349</u>	<u>349</u>
Balance at December 31	<u>(\$ 16,184)</u>	<u>\$ 7,248</u>	<u>(\$ 8,936)</u>

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2022</u>			
Balance at January 1	(\$ 13,487)	\$ 6,006	(\$ 7,481)
Interest (expense) income	(94)	<u>42</u>	(52)
	<u>(13,581)</u>	<u>6,048</u>	<u>(7,533)</u>
Remeasurements:			
Return on plan assets	-	441	441
Change in financial assumptions	547	-	547
Experience adjustments	303	-	303
	<u>850</u>	<u>441</u>	<u>1,291</u>
Pension fund contribution	<u>-</u>	<u>297</u>	<u>297</u>
Balance at December 31	<u>(\$ 12,731)</u>	<u>\$ 6,786</u>	<u>(\$ 5,945)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2023	2022
Discount rate	1.20%	1.30%
Future salary increases	3.25%	3.25%

Assumptions regarding future mortality experience are both set based on actuarial advice in accordance with Taiwan Life Insurance 6th Mortality Table for the years ended December 31, 2023 and 2022.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	(\$ 185)	\$ 192	\$ 168	(\$ 162)
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 212)	\$ 221	\$ 198	(\$ 191)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to \$360.

(g) As of December 31, 2023, the weighted average duration of the retirement plan is 6 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	8,735
2-5 years		3,221
Over 6 years		5,224
	\$	<u>17,180</u>

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 pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2023 and 2022 were \$11,724 and \$15,870, respectively.

(13) Share capital

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

	For the years ended December 31,	
	2023	2022
Balance at beginning of year	87,262	80,743
Stock dividends	-	8,074
Treasury stocks transferred to employees	-	445
Purchase of treasury stocks	-	(2,000)
Balance at end of year	<u>87,262</u>	<u>87,262</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):

For the year ended December 31, 2023				
Reason for reacquisition	Shares at beginning of year	Increase	Decrease	Shares at end of year
To be reissued to employees	2,000	-	-	2,000

For the year ended December 31, 2022				
Reason for reacquisition	Shares at beginning of year	Increase	Decrease	Shares at end of year
To be reissued to employees	445	2,000	(445)	2,000

(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. For the year ended December 31, 2022, treasury stocks purchased by the Company amounted to \$147,570 (2,000 thousand shares).

As of December 31, 2023 and 2022, the treasury shares both amounted to \$147,570.

(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.

(e) For the year ended December 31, 2022, the Company transferred treasury stocks to employees amounting to \$26,550 (445 thousand shares). The proceeds amounting to \$26,550 (net of related securities transaction tax amounting to \$26,470) and the difference of \$80 were recognized as deduction from capital surplus.

D. As of December 31, 2023, the Company's authorized capital was \$1,500,000 (including \$30,000 reserved for employee stock options), and the paid-in capital was \$892,619 (89,262 thousand shares) with par value of \$10 (in dollars) per share.

(14) Share-based payment

For the year ended December 31, 2022, the recognized compensation cost of treasury stock transferred to employees was \$5,534. The related details were as follows:

Type of arrangement	Grant date	Quantity granted (thousand shares)	Contract period	Vesting conditions
Treasury stocks transferred to employees	September 21, 2022	445	—	Vested immediately

There was no such situation for the year ended December 31, 2023.

(15) Capital reserve

<u>For the year ended December 31, 2023</u>	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Others</u>	<u>Total</u>
Balances at beginning and end of year	\$ 440,553	\$ 5,454	\$ 114	\$ 446,121

<u>For the year ended December 31, 2022</u>	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Employee stock options</u>	<u>Others</u>	<u>Total</u>
Balances at beginning of year	\$ 440,553	\$ -	\$ -	\$ 114	\$ 440,667
Compensation cost recognized for transfer of treasury stocks	-	-	5,534	-	5,534
Treasury stocks transferred to employees	-	5,454	(5,534)	-	(80)
Balances at end of year	\$ 440,553	\$ 5,454	\$ -	\$ 114	\$ 446,121

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.

(16) 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, 2022, pursuant to the regulations for the deduction amount to stockholders' equity from other equity items, the Company has set aside special reserve of \$24,491, which cannot be distributed to shareholders.
- D. The Company recognized cash dividends distributed to owners amounting to \$174,524 (\$2.0 (in dollars) per share) and \$121,114 (\$1.5 (in dollars) per share) for the years ended December 31, 2023 and 2022, respectively. On May 27, 2022, the Company's stockholders resolved the distribution of stock dividends from 2021 earnings in the amount of \$80,743 (\$1.0 (in dollars) per share). On February 26, 2024, the Board of Directors proposed the distribution of cash dividends from 2023 earnings in the amount of \$69,809 (\$0.8 (in dollars) per share).

(17) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major geographical regions:

<u>2023</u>	<u>Germany</u>	<u>China</u>	<u>Taiwan</u>	<u>USA</u>	<u>Others</u>	<u>Total</u>
Revenue from external						
customer contracts	<u>\$205,830</u>	<u>\$146,030</u>	<u>\$116,162</u>	<u>\$ 91,028</u>	<u>\$236,932</u>	<u>\$ 795,982</u>
Timing of revenue						
— At a point in time	<u>\$205,830</u>	<u>\$146,030</u>	<u>\$116,162</u>	<u>\$ 91,028</u>	<u>\$236,932</u>	<u>\$ 795,982</u>

<u>2022</u>	<u>Germany</u>	<u>China</u>	<u>Taiwan</u>	<u>USA</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$404,268</u>	<u>\$282,090</u>	<u>\$188,425</u>	<u>\$125,593</u>	<u>\$418,367</u>	<u>\$1,418,743</u>
Timing of revenue						
– At a point in time	<u>\$404,268</u>	<u>\$282,090</u>	<u>\$188,425</u>	<u>\$125,593</u>	<u>\$418,367</u>	<u>\$1,418,743</u>

B. Contract liabilities

(a) The Company has recognized revenue-related contract liabilities related to the contract revenue of \$133, \$153 and \$1,741 on December 31, 2023, December 31, 2022 and January 1, 2022, respectively.

(b) The revenue recognized that were included in the contract liability balance at the beginning of 2023 and 2022 amounted to \$133 and \$1,213 for the years ended December 31, 2023 and 2022, respectively.

(18) Interest income

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>(Adjusted) 2022</u>
Interest income from bank deposits	\$ 5,141	\$ 1,183
Interest income from financial assets measured at amortized cost	133	55
Other interest income	15	9
	<u>\$ 5,289</u>	<u>\$ 1,247</u>

(Note) The detailed classification of Company's interest income was adjusted in accordance with the regulations of the Financial Supervisory Commission FAQ, and related information is provided in Note 6(2), 'Financial assets at amortized cost - current'.

(19) Other income

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Government grants income	\$ 40	\$ 125
Other income – others	2,251	1,278
	<u>\$ 2,291</u>	<u>\$ 1,403</u>

(20) Other gains and losses

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Currency exchange gain	\$ 20,371	\$ 70,997
Gain on disposal of property, plant, and equipment	-	19
	<u>\$ 20,371</u>	<u>\$ 71,016</u>

(21) Finance costs

	For the years ended December 31,	
	2023	2022
Interest expense:		
Interest expense on bank borrowings	\$ 19,415	\$ 11,582
Interest expense on lease liabilities	1,517	2,358
Less: Capitalization of qualifying assets	(13,687)	(8,416)
	<u>\$ 7,245</u>	<u>\$ 5,524</u>

(22) Expenses by nature

	For the year ended December 31, 2023		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 191,835	\$ 102,784	\$ 294,619
Depreciation	40,308	18,975	59,283
Amortization	-	10,094	10,094
	<u>\$ 232,143</u>	<u>\$ 131,853</u>	<u>\$ 363,996</u>
	For the year ended December 31, 2022		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 317,592	\$ 95,851	\$ 413,443
Depreciation	48,109	21,066	69,175
Amortization	-	9,900	9,900
	<u>\$ 365,701</u>	<u>\$ 126,817</u>	<u>\$ 492,518</u>

(23) Employee benefit expense

	For the year ended December 31, 2023		
	Operating cost	Operating expense	Total
Wages and salaries	\$ 153,617	\$ 87,762	\$ 241,379
Labor and health insurance expense	22,216	6,449	28,665
Pension costs	8,659	3,142	11,801
Directors' remuneration	-	3,302	3,302
Other personnel expenses	7,343	2,129	9,472
	<u>\$ 191,835</u>	<u>\$ 102,784</u>	<u>\$ 294,619</u>

	For the year ended December 31, 2022		
	Operating cost	Operating expense	Total
Wages and salaries	\$ 267,689	\$ 73,638	\$ 341,327
Employee compensation cost	249	5,285	5,534
Labor and health insurance expense	28,192	6,702	34,894
Pension costs	12,678	3,244	15,922
Directors' remuneration	-	4,720	4,720
Other personnel expenses	8,784	2,262	11,046
	<u>\$ 317,592</u>	<u>\$ 95,851</u>	<u>\$ 413,443</u>

- A. As of December 31, 2023 and 2022, the Company had 405 and 457 employees, among these, 7 and 6 directors were not full-time employees, respectively.
- B. The average employee benefit expense for the years ended December 31, 2023 and 2022 were \$732 and \$906, respectively. The average wages and salaries for the years ended December 31, 2023 and 2022 were \$606 and \$769, respectively with a decrease of 21%.
- C. Remuneration policies, standards and packages, procedures of determining remuneration, and the relevance between the Company's operating performance and future risk exposure:
- (a) The Company's remuneration to the directors is examined and reviewed by the Remuneration Committee. The committee makes recommendations for the board discussions. The resolution made the Board will be based on the individual's degree of participation in and contribution to the Company's daily operations, as well as the industry's standard.
 - (b) The Company has set up related guidelines in appointment, termination, and remuneration of general manager and vice general managers. The standard of remuneration is aligned with the key performance indicators scheme set by human resource department of the Company. Before the rewarding principle being approved by the Board, individual's performance and contribution to overall business operation, as well as the peer industry norm are put into consideration by the Remuneration Committee.
 - (c) Employees' reward policy:
 - i. As there is a positive correlation between the Company's operating capacity and the employees' personal ability, contribution and individual performance, and future risks are considered and controlled, the correlation between the employees' compensation policy and future risks is low.
 - ii. The total salaries primarily consist of fixed wages, short-term rewards, such as performance bonus, employees' compensation, etc., and long-term rewards, such as employee stock options, treasury stock transfer, etc.
 - iii. According to the Articles of Incorporation, the Company should appropriate 3% to 15% of net profits of the year for employees' compensation.

- D. 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.
- E. For the years ended December 31, 2023 and 2022, the Company's employees' compensation were \$11,048 and \$18,500, respectively; while directors' remuneration were \$2,430 and \$4,000, respectively. The aforementioned amounts were recognized in salary expenses and were estimated and accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company.

The employees' compensation and directors' remuneration for 2022 as resolved by the Board of Directors were \$18,500 and \$4,000, respectively. The employees' compensation and directors' remuneration for 2022 as resolved by the Board of Directors were equal to the amounts recognized in the 2022 financial statements. The employees' compensation and directors' remuneration as resolved by the Board of Directors on February 2, 2024 were \$11,048 and \$2,430, respectively. The employees' compensation will be distributed in the form of cash.

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

(24) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2023	2022
Current income tax:		
Income tax incurred in current year	\$ 25,966	\$ 69,580
Tax on unappropriated earnings	3,732	-
Prior year's income tax under (over) estimation	6,491	(1,530)
Total current income tax	<u>36,189</u>	<u>68,050</u>
Deferred income tax:		
Origination and reversal of temporary differences	(5,421)	(2,695)
Income tax expense	<u>\$ 30,768</u>	<u>\$ 65,355</u>

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2023	2022
Remeasurement of defined benefit obligations	(\$ 653)	\$ 258

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 25,762	\$ 82,428
Effect of items exempt by tax regulation	(44)	(8,976)
Effect from investment tax credits	(5,173)	(6,567)
Tax on unappropriated earnings	3,732	-
Prior year's income tax under (over) estimation	6,491	(1,530)
Income tax expense	<u>\$ 30,768</u>	<u>\$ 65,355</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2023			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Loss on inventory market value decline	\$ 7,757	\$ 2,464	\$ -	\$ 10,221
Unused compensated absences	4,058	(239)	-	3,819
Unrealized gain on inter affiliates	18,324	(1,255)	-	17,069
Pensions	1,919	-	653	2,572
Unrealized loss on foreign currency exchange	-	1,286	-	1,286
	<u>\$ 32,058</u>	<u>\$ 2,256</u>	<u>\$ 653</u>	<u>\$ 34,967</u>
Deferred tax liabilities:				
Investment (income) loss	(\$ 23,763)	\$ 953	\$ -	(\$ 22,810)
Depreciation	(1,746)	51	-	(1,695)
Unrealized gain on foreign currency exchange	(2,161)	2,161	-	-
	<u>(\$ 27,670)</u>	<u>\$ 3,165</u>	<u>\$ -</u>	<u>(\$ 24,505)</u>
	<u>\$ 4,388</u>	<u>\$ 5,421</u>	<u>\$ 653</u>	<u>\$ 10,462</u>

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Loss on inventory market value decline	\$ 7,027	\$ 730	\$ -	\$ 7,757
Unused compensated absences	3,396	662	-	4,058
Unrealized gain on inter affiliates	50	18,274	-	18,324
Pensions	2,177	-	(258)	1,919
Unrealized loss on foreign currency exchange	269	(269)	-	-
	<u>\$ 12,919</u>	<u>\$ 19,397</u>	<u>(\$ 258)</u>	<u>\$ 32,058</u>
Deferred tax liabilities:				
Investment (income) loss	(\$ 9,170)	(\$ 14,593)	\$ -	(\$ 23,763)
Depreciation	(1,798)	52	-	(1,746)
Unrealized gain on foreign currency exchange	-	(2,161)	-	(2,161)
	<u>(\$ 10,968)</u>	<u>(\$ 16,702)</u>	<u>\$ -</u>	<u>(\$ 27,670)</u>
	<u>\$ 1,951</u>	<u>\$ 2,695</u>	<u>(\$ 258)</u>	<u>\$ 4,388</u>

D. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of February 26, 2024.

(25) Earnings per share (“EPS”)

	For the year ended December 31, 2023		
	<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	<u>\$ 98,042</u>	<u>87,262</u>	<u>\$ 1.12</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 98,042	87,262	
Assumed conversion of all dilutive potential ordinary shares Employees’ compensation	<u>-</u>	<u>185</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 98,042</u>	<u>87,447</u>	<u>\$ 1.12</u>
	For the year ended December 31, 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	<u>\$ 346,787</u>	<u>88,735</u>	<u>\$ 3.91</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 346,787	88,735	
Assumed conversion of all dilutive potential ordinary shares Employees’ compensation	<u>-</u>	<u>283</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 346,787</u>	<u>89,018</u>	<u>\$ 3.90</u>

(26) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 83,928	\$ 129,609
Add: Opening balance of notes payable	22,828	35,637
Opening balance of payable for equipment	4,405	15,207
Less: Ending balance of notes payable	(1,487)	(22,828)
Ending balance of payable for equipment	(4,117)	(4,405)
Capitalization for interest	(13,687)	(8,416)
Cash paid during the year	<u>\$ 91,870</u>	<u>\$ 144,804</u>

B. Investing activities with no cash flow effects

	For the years ended December 31,	
	2023	2022
Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 51,459</u>	<u>\$ 42,409</u>

(27) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2023	\$ 225,000	\$ 128,201	\$ 696,250	\$ 1,049,451
Changes in cash flow from financing activities	140,000	(3,609)	25,417	161,808
Revaluations	-	(42,140)	-	(42,140)
At December 31, 2023	<u>\$ 365,000</u>	<u>\$ 82,452</u>	<u>\$ 721,667</u>	<u>\$ 1,169,119</u>
	Short-term borrowings	Lease liabilities	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2022	\$ 230,000	\$ 126,586	\$ 622,424	\$ 979,010
Changes in cash flow from financing activities	(5,000)	(5,612)	73,826	63,214
Revaluations	-	7,227	-	7,227
At December 31, 2022	<u>\$ 225,000</u>	<u>\$ 128,201</u>	<u>\$ 696,250</u>	<u>\$ 1,049,451</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
cpc Europa GmbH	A subsidiary of the Company
CHIEFTEK PRECISION USA CO., LTD.	A subsidiary of the Company
Chieftek Machinery (Kunshan) Co., Ltd.	A subsidiary of the Company

(2) Key management compensation

A. Sales of goods and services

	For the years ended December 31,	
	2023	2022
cpc Europa GmbH	\$ 205,830	\$ 404,268
Chieftek Machinery (Kunshan) Co., Ltd.	115,799	220,382
CHIEFTEK PRECISION USA CO., LTD.	91,028	125,593
	<u>\$ 412,657</u>	<u>\$ 750,243</u>

Prices of goods sold to related parties are determined based on mutual agreement at each time, and the credit term is 180 days after monthly-closing, T/T. For third parties, the credit terms ranged from 30 to 180 days after monthly-closing.

B. Receivables from related parties

	December 31, 2023	December 31, 2022
Accounts receivable:		
cpc Europa GmbH	\$ 41,613	\$ 186,188
CHIEFTEK PRECISION USA CO., LTD.	17,054	24,449
Chieftek Machinery (Kunshan) Co., Ltd.	6,093	102,865
	<u>\$ 64,760</u>	<u>\$ 313,502</u>
Other receivables:		
CHIEFTEK PRECISION USA CO., LTD.	\$ -	\$ 61

The receivables from related parties arise mainly from sale transactions.

The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

C. Other payables

	December 31, 2023	December 31, 2022
cpc Europa GmbH	<u>\$ -</u>	<u>\$ 1,611</u>

D. Endorsements and guarantees

Endorsement and guarantee by the Company to subsidiaries are as follows:

	Nature	December 31, 2023	December 31, 2022
cpc Europa GmbH	Financial guarantee	<u>\$ 186,890</u>	<u>\$ -</u>

As of December 31, 2023 and 2022, the actual amount guaranteed by the Company to the subsidiaries was \$122,328 and \$—, respectively.

(3) Key management compensation

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	<u>\$ 19,159</u>	<u>\$ 16,645</u>

8. PLEDGED ASSETS

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

<u>Asset pledged</u>	<u>Book value</u>		<u>Purpose of collateral</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Restricted time deposits (Note 1)	\$ 8,700	\$ 8,700	Performance guarantee
Land (Note 2)	316,864	316,864	Guarantee for long-term borrowings
Buildings and structures-net (Note 2)	412,884	424,041	Guarantee for long and short-term borrowings
	<u>\$ 738,448</u>	<u>\$ 749,605</u>	

(Note 1) Listed as 'Financial assets at amortized cost - current'.

(Note 2) Listed as 'Property, plant and equipment'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) For the details of endorsements and guarantees provided by the Company to subsidiaries, refer to Note 7(2) D. 'Endorsements and guarantees'.

(2) As of December 31, 2023 and 2022, the Company's remaining balance due for construction in progress and prepayments for equipment were \$164,838 and \$208,203, respectively.

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

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

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

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

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

B. If the Company violates the above financial covenants, the Company should improve within 9 months after the fiscal year or half fiscal year. It will not be considered to default, if the audited or reviewed financial rates 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 December 31, 2023, the Company has not violated any of the above covenants.

(4) For the details of operating lease agreements, refer to Note 6(7), 'Leasing arrangements – lessee'.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company'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 Company 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 Company's financial instruments by category are provided in Note 6.

B. Financial risk management policies

(a) The Company'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 (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company'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 Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used 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 the Company to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury.
- (iii) The Company 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 Company does not hedged the investments.
- (iv) The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2023		
	<u>Foreign currency amount (in thousands)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 12,307	30.705	\$ 377,896
JPY:NTD	126,745	0.2172	27,529
EUR:NTD	2,762	33.98	93,838
<u>Investments accounted for under equity method</u>			
USD:NTD	12,148	30.705	373,001
EUR:NTD	1,831	33.98	62,220
<u>Financial liabilities</u>			
<u>Monetary items</u>			
EUR:NTD	313	33.98	10,760

	December 31, 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	\$ 16,080	30.71	\$ 493,815
JPY:NTD	31,630	0.2324	7,351
EUR:NTD	8,323	32.72	272,344
<u>Investments accounted for under equity method</u>			
USD:NTD	12,878	30.71	395,479
EUR:NTD	1,186	32.72	38,799
<u>Financial liabilities</u>			
<u>Monetary items</u>			
JPY:NTD	5,187	0.2324	1,205
EUR:NTD	850	32.72	28,022

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 Company's net profit after tax for the years ended December 31, 2023 and 2022 would increase/decrease by \$3,908 and \$6,010, respectively.

- (v) The total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022 amounted to \$20,371 and \$70,997, respectively.

II. Price risk

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

III. Cash flow and fair value interest rate risk

- (i) The Company's main interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. However, partial interest rate risk is offset by cash and cash equivalents held at variable rates. For the years ended December 31, 2023 and 2022, the Company's borrowings at variable rate were mainly denominated in NTD.
- (ii) The Company'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 years ended December 31, 2023 and 2022 would have decreased/increased by \$1,553 and \$927, 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 Company 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. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing 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 Company manages its credit risk, whereby if the contract payments are past due based on the terms, there has been a significant increase in credit risk on that instrument. If the contract payment were past due over certain number of days based on the terms, the default has occurred.
- IV. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. As of December 31, 2023 and 2022, the Company's written-off financial assets that are still under recourse procedures both amounted to \$42.
- V. The Company classifies customers' accounts receivable in accordance with the credit rating of customers and credit risk on trade. The Company applies the simplified approach using the provision matrix and the forecast ability to adjust historical and timely information to estimate expected credit loss. For the years ended December 31, 2023 and 2022, the Company's expected credit loss ranges from 0.03% to 5% and 0.03% to 2%, respectively; while loss allowance for accounts receivable amounted to \$819 and \$868, respectively.

VI. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	For the years ended December 31,	
	2023	2022
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 868	\$ 833
(Reversal of) provision for impairment	(49)	35
At December 31	<u>\$ 819</u>	<u>\$ 868</u>

(c) Liquidity risk

- I. Cash flow forecasting is performed in Finance division of the Company. Finance division monitors rolling forecasts of the Company'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 Company 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 Company treasury. Company 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 Company is expected to readily generate cash inflows for managing liquidity risk.
- III. The Company has the following undrawn borrowing facilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Floating rate:		
Expiring within one year	\$ 864,050	\$ 875,000
Expiring beyond one year	<u>2,460,000</u>	<u>2,620,000</u>
	<u>\$ 3,324,050</u>	<u>\$ 3,495,000</u>

- IV. The table below analyzes the Company'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>December 31, 2023</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	\$ 366,915	\$ -	\$ -	\$ -
Notes payable	41,913	-	-	-
Accounts payable	17,972	-	-	-
Other payables	94,548	-	-	-
Lease liabilities	5,126	5,126	15,378	71,760
Long-term borrowings (including current portion)	90,102	277,915	377,874	-
<u>December 31, 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	\$ 226,413	\$ -	\$ -	\$ -
Notes payable	160,497	-	-	-
Accounts payable	46,513	-	-	-
Other payables	122,708	-	-	-
Lease liabilities	7,970	7,970	23,909	111,576
Long-term borrowings (including current portion)	148,111	214,449	357,869	-

V. The Company 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 December 31, 2023 and 2022, the Company had no fair value financial instruments.

B. Financial instruments not measured at fair value

The carrying amount of the Company's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortized cost - current, notes receivable, accounts receivable (including related parties), 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.

13. SUPPLEMENTARY DISCLOSURES

(According to the regulatory requirement, only information related to the year ended December 31, 2023 is disclosed.)

(1) Significant transactions information

A. Loans to others: None

- B. Provision of endorsements and guarantees to others: Refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Refer to table 2.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting period: None.
- J. Significant inter-company transactions during the reporting period: 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

Not applicable.

CHIEFTEK PRECISION CO., LTD.

Provision of endorsements and guarantees to others

For the year ended December 31, 2023

Table 1

Expressed in thousands of NTD

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount during the year	Outstanding endorsement/ guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	\$ 468,714	\$ 190,905	\$ 186,890	\$ 122,328	\$ -	8%	\$ 1,171,784	Y	N	N	—

(Note 1) The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) Parent company is '0'.

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

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

(1) The Company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(Note 3) (1) The limit of total amount of endorsements/guarantees is 50% of the Company's net worth of the latest financial statements, and the limit of total amount of endorsements/guarantees for a single party is 20% of the Company's net worth of the latest financial statements. Between companies whose voting shares are held by the Company directly and indirectly more than 90%, an endorsement guarantee may be made and its amount shall not exceed 10% of the Company's net worth of the latest financial statements. However, this does not apply to inter-company endorsement guarantees where the Company directly or indirectly holds 100% of the voting shares.

(2) For any endorsements or guarantees provided by the Company due to business dealings, except for the abovementioned limit, the amount of endorsements or guarantees shall be limited to the business dealing amount of the most recent year. The amount is product purchase or sale amount between the entities, whichever is higher.

(3) Between companies whose voting shares are 100% held by the Company directly and indirectly, and the limit of total amount of endorsements/guarantees is 50% of the company's, who provide endorsement guarantee, net worth of the latest financial statements, and the limit of total amount of endorsements/guarantees to a single party is 20% of the company's, who provide endorsement guarantee, net worth of the latest financial statements.

(4) The limit of total amount of endorsements/guarantees provided by the Company and subsidiaries is 50% of the Company's net worth of the latest financial statements, and the limit of total amount of endorsements/guarantees provided by the Company and subsidiaries to a single party is 20% of the Company's net worth of the latest financial statements.

(Note 4) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:30.705) as at December 31, 2023.

CHIEFTEK PRECISION CO., LTD.

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

For the year ended December 31, 2023

Table 2

Expressed in thousands of NTD

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments

CHIEFTEK PRECISION CO., LTD.

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

For the year ended December 31, 2023

Table 3

Expressed in thousands of NTD

		Transaction		Description and reasons for difference in transaction terms compared to third party transactions				Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	Subsidiary	(Sales)	(\$ 205,830)	(26%)	(Note 1)	\$ -	(Note 2)	\$ 41,613	24%	—
	Chieftek Machinery (Kunshan) Co., Ltd.	Subsidiary	(Sales)	(115,799)	(15%)	(Note 1)	-	(Note 2)	6,093	4%	—
cpc Europa GmbH	CHIEFTEK PRECISION CO., LTD.	The Company	Purchases	205,830	90%	(Note 1)	-	(Note 3)	(41,613)	(100%)	—
Chieftek Machinery (Kunshan) Co., Ltd.	CHIEFTEK PRECISION CO., LTD.	The Company	Purchases	115,799	100%	(Note 1)	-	(Note 3)	(6,093)	(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 payment terms to third parties are 30 to 60 days after monthly statements.

CHIEFTEK PRECISION CO., LTD.

Significant inter-company transactions during the reporting period

For the year ended December 31, 2023

Table 4

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)
					Amount	Transaction terms	
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	Endorsements and guarantees	\$ 186,890	—	5%
				Sales revenue	(205,830)	180 days after monthly-closing, T/T	(19%)
				Accounts receivable	41,613	—	1%
				Sales revenue	(91,028)	180 days after monthly-closing, T/T	(8%)
				Accounts receivable	17,054	—	—
1	CHIEFTEK PRECISION USA CO., LTD.	CHIEFTEK PRECISION USA CO., LTD.	1	Sales revenue	(91,028)	180 days after monthly-closing, T/T	(8%)
				Accounts receivable	17,054	—	—
				Sales revenue	(115,799)	180 days after monthly-closing, T/T	(11%)
				Accounts receivable	6,093	—	—
				Rent payment	11,130	—	1%
				Refundable deposits	1,535	—	—

(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 material.

(Note 5) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:30.705) as at December 31, 2023.

CHIEFTEK PRECISION CO., LTD.

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

For the year ended December 31, 2023

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income (loss) recognized by the Company for the year ended December 31, 2023	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	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	\$ 165,334	\$ 3,541	\$ 3,541	Subsidiary
	CHIEFTEK PRECISION INTERNATIONAL LLC	United States of America	Lease of real estate property	110,054	110,054	-	100	112,832	1,211	1,211	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	94,835	9,245	9,245	Subsidiary
	cpc Europa GmbH	Germany	Sale of high precision linear motion components and rendering after-sale services	98,695	98,695	-	100	62,220	17,926	17,926	Subsidiary
CHIEFTEK PRECISION HOLDING CO., LTD.	Chieftek Precision (Hong Kong) Co., Limited	Hong Kong	Professional investment	-	28	-	-	-	-	-	Subsidiary (Note 1) (Note 2)

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

(Note 2) The deregistration was approved by Hong Kong Companies Registry on February 3, 2023.

(Note 3) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:30.705) as at December 31, 2023.

CHIEFTEK PRECISION CO., LTD.

Information on investments in Mainland China - Basic information

For the year ended December 31, 2023

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, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee for the year ended December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2023 (Note 2)	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	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	\$ 156,596	Note 1	\$ 156,596	\$ -	\$ -	\$ 156,596	\$ 3,544	100%	\$ 3,544	\$ 175,184	\$ 258,373	—

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	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.	\$ 156,596	\$ 156,596	\$ 1,406,141

(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 audited by the parent company's auditors for the year ended December 31, 2023.

(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 1:30.705) as at December 31, 2023.

CHIEFTEK PRECISION CO., LTD.

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 year ended December 31, 2023

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			Interest during the year ended December 31,	
	Amount	%	Amount	%	Balance at December 31, 2023	%	Balance at December 31, 2023	Purpose	Maximum balance during the year ended December 31, 2023	Balance at December 31, 2023	Interest rate	2023	Others
Chieftek Machinery (Kunshan) Co., Ltd	\$ 115,799	11%	\$ -	-	\$ 6,093	-	\$ -	-	\$ -	\$ -	-	\$ -	\$ -

CHIEFTEK PRECISION CO., LTD.

Major shareholders information

December 31, 2023

Table 8

Expressed in share

Name of major shareholders	Number of shares	
	Common stock	Ownership (%)
Hsu, Ming-Che	6,137,271	6.87%
Xinzhide Investment Co., Ltd.	5,001,100	5.60%

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.

Chieftek Precision Co., Ltd

Chairman: Chen, Li-Fen

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