

**CHIEFTEK PRECISION CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REVIEW REPORT  
MARCH 31, 2023 AND 2022**

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

## INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of CHIEFTEK PRECISION CO., LTD. and subsidiaries (the "Group") as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### **Scope of review**

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for qualified conclusion**

The financial statements and related information disclosed in Note 13 of insignificant consolidated subsidiaries were not reviewed by independent auditors. Those statements reflect total assets of NT\$299,065 thousand and NT\$303,519 thousand, constituting 7% and 8% of the consolidated total assets, and total liabilities of NT\$88,709 thousand and NT\$85,329 thousand, both constituting 5% of the consolidated total liabilities as of March 31, 2023 and 2022, respectively, and total comprehensive income of NT\$5,700 thousand and NT\$10,203 thousand, constituting 15% and 12% of the consolidated total comprehensive income for the three-month periods then ended, respectively.

## **Qualified conclusion**

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent auditors as described in the Basis for qualified conclusion section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission.

Lin, Yung-Chih

Independent Auditors

Tien, Chung-Yu

PricewaterhouseCoopers, Taiwan

Republic of China

May 9, 2023

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

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

**CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022**

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Assets	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 958,494	23	\$ 864,154	21	\$ 893,395	23
1136	Financial assets at amortized cost -	6(2) and 8						
	current		76,247	2	76,810	2	72,827	2
1150	Notes receivable, net	6(3)	13,319	-	13,930	-	19,190	1
1170	Accounts receivable, net	6(3) and 12	268,010	7	281,809	7	352,768	9
1200	Other receivables		6,647	-	5,269	-	5,910	-
1220	Current income tax assets	6(22)	92	-	-	-	2,471	-
130X	Inventories	6(4)	648,175	16	635,641	16	472,072	12
1410	Prepayments		54,267	1	55,795	2	50,174	1
11XX	<b>Total current assets</b>		<u>2,025,251</u>	<u>49</u>	<u>1,933,408</u>	<u>48</u>	<u>1,868,807</u>	<u>48</u>
<b>Non-current assets</b>								
1600	Property, plant and equipment	6(5) and 8	1,901,435	46	1,861,738	46	1,702,416	44
1755	Right-of-use assets	6(6)	80,698	2	123,913	3	128,931	4
1780	Intangible assets	6(7)	68,823	2	71,078	2	77,308	2
1840	Deferred income tax assets	6(22)	34,271	1	32,058	1	19,440	1
1915	Prepayments for equipment	6(5)	13,475	-	19,260	-	50,250	1
1920	Guarantee deposits paid		12,075	-	9,351	-	8,913	-
1990	Other non-current assets		5,119	-	3,495	-	4,239	-
15XX	<b>Total non-current assets</b>		<u>2,115,896</u>	<u>51</u>	<u>2,120,893</u>	<u>52</u>	<u>1,991,497</u>	<u>52</u>
1XXX	<b>Total assets</b>		<u>\$ 4,141,147</u>	<u>100</u>	<u>\$ 4,054,301</u>	<u>100</u>	<u>\$ 3,860,304</u>	<u>100</u>

(Continued)

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

(The consolidated balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Liabilities</b>								
<b>Current liabilities</b>								
2100	Short-term borrowings	6(8)	\$ 325,000	8	\$ 225,000	6	\$ 240,000	6
2130	Current contract liabilities	6(15)	462	-	664	-	4,894	-
2150	Notes payable		91,746	2	160,497	4	122,190	3
2170	Accounts payable		35,182	1	46,525	1	52,691	2
2200	Other payables	6(9)	316,723	8	164,912	4	274,144	7
2230	Current income tax liabilities	6(22)	88,844	2	88,497	2	69,681	2
2280	Current lease liabilities	6(6)(19)	3,625	-	5,713	-	5,636	-
2320	Long-term liabilities, current portion	6(10), 8 and 9	186,039	4	140,494	3	77,478	2
21XX	<b>Total current liabilities</b>		<u>1,047,621</u>	<u>25</u>	<u>832,302</u>	<u>20</u>	<u>846,714</u>	<u>22</u>
<b>Non-current liabilities</b>								
2540	Long-term borrowings	6(10), 8 and 9	689,460	17	642,666	16	607,875	16
2570	Deferred income tax liabilities	6(22)	30,098	1	27,670	1	19,234	1
2580	Non-current lease liabilities	6(6)(19)	81,540	2	122,488	3	126,783	3
2640	Net defined benefit liabilities	6(11)	5,866	-	5,945	-	7,407	-
25XX	<b>Total non-current liabilities</b>		<u>806,964</u>	<u>20</u>	<u>798,769</u>	<u>20</u>	<u>761,299</u>	<u>20</u>
2XXX	<b>Total liabilities</b>		<u>1,854,585</u>	<u>45</u>	<u>1,631,071</u>	<u>40</u>	<u>1,608,013</u>	<u>42</u>
<b>Equity</b>								
Share capital								
3110	Common stock	6(12)	892,619	22	892,619	22	811,876	21
Capital reserves								
3200	Capital surplus	6(13)	446,121	11	446,121	11	440,667	11
Retained earnings								
3310	Legal reserve	6(14)	213,096	5	213,096	5	182,266	5
3320	Special reserve		50,626	1	50,626	1	36,323	1
3350	Unappropriated retained earnings		855,452	21	992,829	25	843,749	22
3400	Other equity interest		( 23,782)	( 1)	( 24,491)	-	( 36,040)	( 1)
3500	Treasury stocks	6(12)	( 147,570)	( 4)	( 147,570)	( 4)	( 26,550)	( 1)
3XXX	<b>Total equity</b>		<u>2,286,562</u>	<u>55</u>	<u>2,423,230</u>	<u>60</u>	<u>2,252,291</u>	<u>58</u>
Significant Contingent Liabilities and 6(6) and 9								
Unrecognized Contract Commitments								
3X2X	<b>Total liabilities and equity</b>		<u>\$ 4,141,147</u>	<u>100</u>	<u>\$ 4,054,301</u>	<u>100</u>	<u>\$ 3,860,304</u>	<u>100</u>

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

**CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)  
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended March 31				
		2023		2022		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(15)	\$ 307,263	100	\$ 393,435	100
5000	Operating costs	6(4)(11)(20)(21)	( 176,077)	( 57)	( 232,254)	( 59)
5900	Net operating margin		131,186	43	161,181	41
	Operating expenses	6(7)(11)(20)(21) and 7				
6100	Selling expenses		( 27,792)	( 9)	( 29,788)	( 8)
6200	General and administrative expenses		( 37,723)	( 12)	( 39,322)	( 10)
6300	Research and development expenses		( 20,422)	( 7)	( 17,676)	( 4)
6450	Expected credit impairment loss	12	( 558)	-	( 1,140)	-
6000	Total operating expenses		( 86,495)	( 28)	( 87,926)	( 22)
6900	Operating profit		44,691	15	73,255	19
	Non-operating income and expenses					
7100	Interest income	6(2)(16)	578	-	468	-
7010	Other income	6(17)	3,607	1	989	-
7020	Other gains and losses	6(18) and 12	1,346	1	22,631	6
7050	Finance costs	6(5)(6)(19)	( 2,294)	( 1)	( 3,620)	( 1)
7000	Total non-operating income and expenses		3,237	1	20,468	5
7900	<b>Profit before income tax</b>		47,928	16	93,723	24
7950	Income tax expense	6(22)	( 10,781)	( 4)	( 20,859)	( 6)
8200	<b>Profit for the period</b>		\$ 37,147	12	\$ 72,864	18
	<b>Other comprehensive income (Net)</b>					
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations		\$ 709	-	\$ 14,586	4
8300	<b>Total other comprehensive income for the period</b>		\$ 709	-	\$ 14,586	4
8500	<b>Total comprehensive income for the period</b>		\$ 37,856	12	\$ 87,450	22
	Earnings per share (in dollars)	6(23)				
9750	Basic		\$ 0.43		\$ 0.82	
9850	Diluted		\$ 0.43		\$ 0.82	

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

**CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)  
(REVIEWED, NOT AUDITED)

	Notes	Share capital - common stock	Capital reserve	Retained Earnings			Other Equity Interest	Treasury stocks	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		
<u>For the three-month period ended March 31, 2022</u>									
Balance at January 1, 2022		\$ 811,876	\$ 440,667	\$ 182,266	\$ 36,323	\$ 891,999	(\$ 50,626)	(\$ 26,550)	\$ 2,285,955
Profit for the period		-	-	-	-	72,864	-	-	72,864
Other comprehensive income for the period		-	-	-	-	-	14,586	-	14,586
Total comprehensive income for the period		-	-	-	-	72,864	14,586	-	87,450
Appropriation of 2021 earnings									
Cash dividends	6(14)	-	-	-	-	(121,114)	-	-	(121,114)
Balance at March 31, 2022		\$ 811,876	\$ 440,667	\$ 182,266	\$ 36,323	\$ 843,749	(\$ 36,040)	(\$ 26,550)	\$ 2,252,291
<u>For the three-month period ended March 31, 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 period		-	-	-	-	37,147	-	-	37,147
Other comprehensive income for the period		-	-	-	-	-	709	-	709
Total comprehensive income for the period		-	-	-	-	37,147	709	-	37,856
Appropriation of 2022 earnings									
Cash dividends	6(14)	-	-	-	-	(174,524)	-	-	(174,524)
Balance at March 31, 2023		\$ 892,619	\$ 446,121	\$ 213,096	\$ 50,626	\$ 855,452	(\$ 23,782)	(\$ 147,570)	\$ 2,286,562

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)  
(REVIEWED, NOT AUDITED)

	Notes	For the three-month periods ended	
		March 31	
		2023	2022
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 47,928	\$ 93,723
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12	558	1,140
(Reversal of) loss on inventory market price decline	6(4)	( 828 )	2,135
Depreciation	6(5)(6)(20)	18,703	19,612
Gain on disposal of property, plant and equipment	6(18)	-	( 19 )
Amortization	6(7)(20)	2,509	2,460
Interest income	6(16)	( 578 )	( 468 )
Interest expense	6(19)	2,294	3,620
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		611	27,127
Accounts receivable		13,132	46,972
Other receivables		( 1,378 )	846
Inventories		( 11,937 )	( 33,249 )
Prepayments		1,528	( 4,788 )
Changes in operating liabilities			
Current contract liabilities		( 202 )	2,268
Notes payable		( 47,260 )	( 6,140 )
Accounts payable		( 11,343 )	3,235
Other payables		( 26,140 )	( 4,241 )
Net defined benefit liabilities		( 79 )	( 74 )
Cash (outflow) inflow generated from operations		( 12,482 )	154,159
Interest received		578	468
Interest paid		( 2,039 )	( 3,582 )
Income tax received		-	10
Income tax paid		( 10,311 )	( 2,471 )
Net cash flows (used in) from operating activities		( 24,254 )	148,584

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CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)  
(REVIEWED, NOT AUDITED)

	Notes	For the three-month periods ended	
		March 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at amortized cost - current		\$ 563	(\$ 2,415 )
Cash paid for acquisition of property, plant and equipment	6(24)	( 58,323 )	( 48,660 )
Interest paid for acquisition of property, plant and equipment	6(5)(19)(24)	( 3,114 )	-
Proceeds from disposal of property, plant and equipment		-	19
Acquisition of intangible assets	6(7)	( 254 )	( 192 )
Increase in prepayments for equipment		( 9,337 )	( 6,742 )
Increase in guarantee deposits paid		( 2,724 )	( 914 )
(Increase) decrease in other non-current assets		( 1,624 )	239
Net cash flows used in investing activities		( 74,813 )	( 58,665 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(25)	150,000	240,000
Decrease in short-term borrowings	6(25)	( 50,000 )	( 230,000 )
Payments of lease liability	6(25)	( 896 )	( 1,394 )
Increase in long-term borrowings	6(25)	100,000	-
Decrease in long-term borrowings	6(25)	( 6,924 )	( 20,528 )
Net cash flows from (used in) financing activities		192,180	( 11,922 )
Effect of foreign exchange rate changes on cash and cash equivalents		1,227	13,448
Net increase in cash and cash equivalents		94,340	91,445
Cash and cash equivalents at beginning of period	6(1)	864,154	801,950
Cash and cash equivalents at end of period	6(1)	\$ 958,494	\$ 893,395

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)  
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on May 9, 2023.

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”) 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

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

- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group  
None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by IASB
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2022, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

- A. The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, ‘Interim financial reporting’ that came into effect as endorsed by the FSC.
- B. The consolidated financial statements of the Group should be read together with the consolidated financial statements for the year ended December 31, 2022.

(2) Basis of preparation

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements is the same as the consolidated financial statements for the year ended December 31, 2022.

B. Subsidiaries included in the consolidated financial statements:

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

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
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	100	-
CHIEFTEK PRECISION HOLDING CO., LTD.	CHIEFTEK PRECISION (Hong Kong) Co., Limited	Professional investment	-	100	100	Note 2

Note 1: The financial statements of the entity as of and for the three-month periods ended March 31, 2023 and 2022 were not reviewed by independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 2: 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) Employee benefits

##### A. Short-term employee benefits

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

##### B. Pensions

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

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

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

(5) Income tax

The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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

There have been no significant changes as of March 31, 2023. Refer to Note 5 in the consolidated financial statements for the year ended December 31, 2022.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash:			
Cash on hand	\$ 1,621	\$ 1,656	\$ 1,249
Checking accounts and demand deposits	<u>909,498</u>	<u>861,108</u>	<u>890,786</u>
	<u>911,119</u>	<u>862,764</u>	<u>892,035</u>
Cash Equivalents:			
Time deposits	<u>47,375</u>	<u>1,390</u>	<u>1,360</u>
	<u>\$ 958,494</u>	<u>\$ 864,154</u>	<u>\$ 893,395</u>

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

B. The Group has no cash and cash equivalents pledged to others as of March 31, 2023, December 31, 2022 and March 31, 2022.

(2) Financial assets at amortized cost - current

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Restricted demand deposits (Note)	\$ 59,555	\$ 60,064	\$ 65,364
Restricted time deposits	8,700	8,700	-
Time deposits with maturity of over 3 months	<u>7,992</u>	<u>8,046</u>	<u>7,463</u>
	<u>\$ 76,247</u>	<u>\$ 76,810</u>	<u>\$ 72,827</u>

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

A. The Group recognized interest income of \$45 and \$11 from financial assets at amortized cost for the three-month periods ended March 31, 2023 and 2022, respectively, shown as part of "Interest Income".

B. As of March 31, 2023, December 31, 2022 and March 31, 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.

C. For more information about the Group's time deposits pledged to others as collateral as of March 31, 2023 and December 31, 2022, refer to Note 8, 'Pledged assets'. There was no such situation as of March 31, 2022.

D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2), 'Financial instruments'. The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable, net

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Notes receivable	\$ 13,319	\$ 13,930	\$ 19,190
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts receivable	\$ 285,002	\$ 298,134	\$ 370,406
Less: Allowance for doubtful accounts	( 16,992)	( 16,325)	( 17,638)
	<u>\$ 268,010</u>	<u>\$ 281,809</u>	<u>\$ 352,768</u>

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

	<u>March 31, 2023</u>		<u>December 31, 2022</u>		<u>March 31, 2022</u>	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 192,296	\$ 12,375	\$ 226,438	\$ 13,754	\$ 295,614	\$ 17,061
Up to 30 days	24,359	-	20,364	-	16,781	1,949
31 to 90 days	27,255	-	26,445	-	27,632	-
91 to 180 days	24,151	767	8,408	-	13,385	-
Over 180 days	16,941	177	16,479	176	16,994	180
	<u>\$ 285,002</u>	<u>\$ 13,319</u>	<u>\$ 298,134</u>	<u>\$ 13,930</u>	<u>\$ 370,406</u>	<u>\$ 19,190</u>

The above ageing analysis was based on past due date.

B. As of January 1, 2022, the balances of notes receivable and accounts receivable 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 March 31, 2023, December 31, 2022 and March 31, 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

	March 31, 2023		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 59,629	(\$ 2,858)	\$ 56,771
Supplies	92,367	( 13,514)	78,853
Work in process	265,644	( 19,191)	246,453
Finished goods	307,924	( 41,826)	266,098
	<u>\$ 725,564</u>	<u>(\$ 77,389)</u>	<u>\$ 648,175</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>

	March 31, 2022		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 54,369	(\$ 3,024)	\$ 51,345
Supplies	82,947	( 11,120)	71,827
Work in process	244,856	( 20,002)	224,854
Finished goods	161,883	( 37,837)	124,046
	<u>\$ 544,055</u>	<u>(\$ 71,983)</u>	<u>\$ 472,072</u>

The cost of inventories recognized as expense for the period:

	For the three-month periods ended March 31,	
	2023	2022
Cost of goods sold	\$ 177,428	\$ 230,176
(Reversal of allowance) loss on inventory market price decline (Note)	( 828)	2,135
(Gain) loss on physical inventory	( 218)	146
Revenue from sale of scraps	( 305)	( 203)
	<u>\$ 176,077</u>	<u>\$ 232,254</u>

Note: For the three-month period ended March 31, 2023, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because the average cost of inventory decreased due to the increase in production capacity.



(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>Three-month period ended March 31, 2023</u>								
At January 1, 2023	\$ 399,025	\$ 555,227	\$ 70,666	\$ 1,108	\$ 2,029	\$ 17,253	\$ 816,430	\$ 1,861,738
Additions	-	976	5,188	146	562	123	36,123	43,118
Transferred from prepayments for equipment	-	-	-	-	-	-	15,122	15,122
Transferred after acceptance inspection	-	1,504	12,344	-	-	291	( 14,139)	-
Depreciation	-	( 6,029)	( 7,675)	( 157)	( 986)	( 2,781)	-	( 17,628)
Disposals – Cost	-	( 1,232)	( 23,824)	-	( 12)	( 1,399)	-	( 26,467)
– Accumulated depreciation	-	1,232	23,824	-	12	1,399	-	26,467
Net currency exchange differences	( 91)	( 955)	116	4	( 7)	18	-	( 915)
At March 31, 2023	<u>\$ 398,934</u>	<u>\$ 550,723</u>	<u>\$ 80,639</u>	<u>\$ 1,101</u>	<u>\$ 1,598</u>	<u>\$ 14,904</u>	<u>\$ 853,536</u>	<u>\$ 1,901,435</u>
<u>At March 31, 2023</u>								
Cost	\$ 398,934	\$ 766,496	\$ 961,483	\$ 4,545	\$ 24,035	\$ 176,722	\$ 853,536	\$ 3,185,751
Accumulated depreciation	-	( 215,773)	( 880,844)	( 3,444)	( 22,437)	( 161,818)	-	( 1,284,316)
	<u>\$ 398,934</u>	<u>\$ 550,723</u>	<u>\$ 80,639</u>	<u>\$ 1,101</u>	<u>\$ 1,598</u>	<u>\$ 14,904</u>	<u>\$ 853,536</u>	<u>\$ 1,901,435</u>

		Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements and other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>At January 1, 2022</u>								
Cost	\$ 365,709	\$ 748,444	\$ 957,336	\$ 5,747	\$ 22,229	\$ 175,530	\$ 659,736	\$ 2,934,731
Accumulated depreciation	-	( 186,939)	( 864,267)	( 4,110)	( 20,147)	( 148,082)	-	( 1,223,545)
	<u>\$ 365,709</u>	<u>\$ 561,505</u>	<u>\$ 93,069</u>	<u>\$ 1,637</u>	<u>\$ 2,082</u>	<u>\$ 27,448</u>	<u>\$ 659,736</u>	<u>\$ 1,711,186</u>
<u>Three-month period ended March 31, 2023</u>								
At January 1, 2022	\$ 365,709	\$ 561,505	\$ 93,069	\$ 1,637	\$ 2,082	\$ 27,448	\$ 659,736	\$ 1,711,186
Additions	-	350	1,363	-	235	230	1,613	3,791
Transferred after acceptance inspection	-	-	-	-	-	51	( 51)	-
Depreciation	-	( 5,597)	( 8,542)	( 145)	( 319)	( 3,336)	-	( 17,939)
Disposals – Cost	-	-	-	( 1,440)	( 37)	-	-	( 1,477)
– Accumulated depreciation	-	-	-	1,440	37	-	-	1,477
Net currency exchange differences	1,668	3,532	128	4	20	26	-	5,378
At March 31, 2022	<u>\$ 367,377</u>	<u>\$ 559,790</u>	<u>\$ 86,018</u>	<u>\$ 1,496</u>	<u>\$ 2,018</u>	<u>\$ 24,419</u>	<u>\$ 661,298</u>	<u>\$ 1,702,416</u>
<u>At March 31, 2022</u>								
Cost	\$ 367,377	\$ 753,167	\$ 959,390	\$ 4,350	\$ 22,563	\$ 175,930	\$ 661,298	\$ 2,944,075
Accumulated depreciation	-	( 193,377)	( 873,372)	( 2,854)	( 20,545)	( 151,511)	-	( 1,241,659)
	<u>\$ 367,377</u>	<u>\$ 559,790</u>	<u>\$ 86,018</u>	<u>\$ 1,496</u>	<u>\$ 2,018</u>	<u>\$ 24,419</u>	<u>\$ 661,298</u>	<u>\$ 1,702,416</u>

- A. Property, plant and equipment of the Group were all for operating purposes as of March 31, 2023, December 31, 2022 and March 31, 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:

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Amount capitalized	\$ 3,114	—
Range of the interest rates for capitalization	1.63%	—

- C. Information about the property, plant and equipment that were pledged to others as collateral as of March 31, 2023, December 31, 2022 and March 31, 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:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Land	\$ 80,698	\$ 123,913	\$ 128,931

Depreciation charge:

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Land	\$ 1,075	\$ 1,673

- C. For the three-month periods ended March 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>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 385	\$ 599
Expense on short-term lease contracts	\$ 2,827	\$ 3,005

- E. For the three-month periods ended March 31, 2023 and 2022, the Group’s total cash outflow for leases were \$4,108 and \$4,998, respectively.

(7) Intangible assets

	Trademarks	Patents	Software	Turn-key professional technique	Others	Total
<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>Three-month period ended March 31, 2023</u>						
Net value at January 1, 2023	\$ 101	\$ 6,959	\$ 516	\$ 63,502	\$ -	\$ 71,078
Additions – acquired separately	-	254	-	-	-	254
Amortization	( 3)	( 184)	( 55)	( 2,267)	-	( 2,509)
Net value at March 31, 2023	<u>\$ 98</u>	<u>\$ 7,029</u>	<u>\$ 461</u>	<u>\$ 61,235</u>	<u>\$ -</u>	<u>\$ 68,823</u>
<u>At March 31, 2023</u>						
Cost	\$ 685	\$ 12,357	\$ 13,366	\$ 90,718	\$ 60,000	\$ 177,126
Accumulated amortization	( 587)	( 5,328)	( 12,905)	( 29,483)	( 13,500)	( 61,803)
Accumulated impairment	-	-	-	-	( 46,500)	( 46,500)
Net value	<u>\$ 98</u>	<u>\$ 7,029</u>	<u>\$ 461</u>	<u>\$ 61,235</u>	<u>\$ -</u>	<u>\$ 68,823</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>Three-month period ended March 31, 2023</u>						
Net value at January 1, 2022	\$ -	\$ 6,903	\$ 99	\$ 72,574	\$ -	\$ 79,576
Additions – acquired separately	-	192	-	-	-	192
Amortization	-	( 175)	( 18)	( 2,267)	-	( 2,460)
Net value at March 31, 2022	<u>\$ -</u>	<u>\$ 6,920</u>	<u>\$ 81</u>	<u>\$ 70,307</u>	<u>\$ -</u>	<u>\$ 77,308</u>
<u>At March 31, 2022</u>						
Cost	\$ 578	\$ 11,525	\$ 12,755	\$ 90,718	\$ 60,000	\$ 175,576
Accumulated amortization	( 578)	( 4,605)	( 12,674)	( 20,411)	( 13,500)	( 51,768)
Accumulated impairment	-	-	-	-	( 46,500)	( 46,500)
Net value	<u>\$ -</u>	<u>\$ 6,920</u>	<u>\$ 81</u>	<u>\$ 70,307</u>	<u>\$ -</u>	<u>\$ 77,308</u>

A. For the three-month periods ended March 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 three-month periods ended March 31,	
	2023	2022
General and administrative expenses	\$ -	\$ 7
Research and development expenses	2,509	2,453
	<u>\$ 2,509</u>	<u>\$ 2,460</u>

(8) Short-term borrowings

<u>Nature</u>	<u>March 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank unsecured borrowings	<u>\$ 325,000</u>	1.13%~1.68%	None

<u>Nature</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank unsecured borrowings	<u>\$ 225,000</u>	0.87%~1.40%	None

<u>Nature</u>	<u>March 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank unsecured borrowings	<u>\$ 240,000</u>	0.51%~1.03%	None

For more information about interest expense recognized by the Group for the three-month periods ended March 31, 2023 and 2022, refer to Note 6(19), 'Finance costs'.

(9) Other payables

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Dividends payable	\$ 174,524	\$ -	\$ 121,114
Accrued salaries and bonuses	51,456	71,127	53,239
Employees' compensation and directors' remuneration payable	25,679	22,500	34,126
Equipment payable	7,577	4,405	3,429
Miscellaneous payable	5,992	6,422	8,167
Others	51,495	60,458	54,069
	<u>\$ 316,723</u>	<u>\$ 164,912</u>	<u>\$ 274,144</u>

(10) Long-term borrowings

<u>Nature</u>	<u>Expiry date</u>	<u>March 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Long-term bank borrowings				
Secured borrowings	March 20, 2025 ~ December 28, 2027	\$ 565,499	1.61% ~ 2.81%	Land, buildings and structures
Unsecured borrowings	February 25, 2025 ~ May 15, 2027	<u>310,000</u>	1.71% ~ 1.97%	None
		875,499		
Less: Current portion		( <u>186,039</u> )		
		<u>\$ 689,460</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 ~ December 28, 2027	\$ 573,160	1.48% ~ 2.81%	Land, buildings and structures
Unsecured borrowings	February 25, 2025 ~ May 15, 2027	<u>210,000</u>	1.71% ~ 1.81%	None
		783,160		
Less: Current portion		( <u>140,494</u> )		
		<u>\$ 642,666</u>		

<u>Nature</u>	<u>Expiry date</u>	<u>March 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Long-term bank borrowings				
Secured borrowings	February 21, 2023 ~ May 15, 2027	\$ 487,853	1.30% ~ 2.81%	Land, buildings and structures
Unsecured borrowings	November 20, 2023 ~ May 15, 2027	<u>197,500</u>	1.14% ~ 1.32%	None
		685,353		
Less: Current portion		( <u>77,478</u> )		
		<u>\$ 607,875</u>		

For more information about interest expense recognized by the Group for the three-month periods ended March 31, 2023 and 2022, refer to Note 6(19), 'Finance costs'.

(11) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to

retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b) No pension cost was recognized under the aforementioned defined benefit pension plan of the Company for the three-month periods ended March 31, 2023 and 2022.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$297.

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The other subsidiaries are subject to local government sponsored defined contribution plan. In accordance with related laws of the respective local government, the independent pension fund of employees is administered by the government. Other than the monthly contributions, these subsidiaries do not have further obligations. The pension costs under the defined contribution pension plans of the Group for the three-month periods ended March 31, 2023 and 2022 were \$4,517 and \$5,078, respectively.

(12) Share capital

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

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Balance at beginning and end of period	<u>87,262</u>	<u>80,743</u>

C. Treasury stocks

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

	<u>Balance at beginning and end of the three-month periods ended March 31,</u>	
<u>Reason for reacquisition</u>	<u>2023</u>	<u>2022</u>
To be reissued to employees	<u>2,000</u>	<u>445</u>



(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

As of March 31, 2023, December 31, 2022 and March 31, 2022, the treasury shares amounted to \$147,570, \$147,570 and \$26,550, respectively.

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

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

D. As of March 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) Capital reserve

For the three-month period ended March 31, 2023	Share premium	Treasury share transactions	Others	Total
Balances at beginning and end of period	\$ 440,553	\$ 5,454	\$ 114	\$ 446,121
For the three-month period ended March 31, 2022	Share premium	Others	Total	
Balances at beginning and end of period	\$ 440,553	\$ 114	\$ 440,667	

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

(14) Retained earnings

A. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.

B. According to the Company's Articles of Incorporation, the Company's dividend policy is to distribute the current year's earnings, if any, in the following order:

(1) pay all taxes and dues;

- (2) offset any loss of prior years;
  - (3) set aside 10% as legal reserve;
  - (4) set aside or reverse special reserve as required by regulations or the Competent Authority;
  - (5) The appropriation of the remaining amount after deducting items (1) to (4), along with the unappropriated retained earnings of prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the shareholders' meeting. However, the distribution of dividends shall not be lower than 20% of the current year's profit after deducting items (1) to (4). In order to continually expand the scale of operations, increase competitiveness and support the Company's long-term development plans, future capital requirements and long-term financial plan, the Company's dividend policy is to distribute stock dividends and partially as cash dividends. Cash dividends shall not be less than 10% of the total dividends distributed to shareholders. The Board of Directors of the Company shall adopt a resolution by a majority of more than two-thirds of the directors present to distribute whole or a part of the distributable dividends, bonuses, capital reserves or legal reserve in the form of cash, and report to the shareholders during their meetings. The above is not subject to provisions that require shareholders' approval.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. As of December 31, 2021, pursuant to the regulations for the deduction amount to stockholders' equity from other equity items, the Company has set aside special reserve of \$50,626, which cannot be distributed to shareholders.
- D. The Company recognized cash dividends distributed to owners amounting to \$174,524 (\$2.0 (in dollars) per share) and \$121,114 (\$1.5 (in dollars) per share) for the three-month periods ended March 31, 2023 and 2022, respectively. On May 27, 2022, the Company's stockholders resolved for the distribution of stock dividends from 2021 earnings in the amount of \$80,743 (\$1.0 (in dollars) per share).

(15) Operating revenue

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	<u>\$ 307,263</u>	<u>\$ 393,435</u>

- A. The Group derives revenue from the transfer of goods at a point in time in segments. Refer to Note 14, 'Segment information' for details.
- B. The Group has recognized revenue-related contract liabilities amounting to \$462, \$664, \$4,894 and \$2,626 as of March 31, 2023, December 31, 2022, March 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 three-month periods ended March 31, 2023 and 2022 were \$452 and \$1,174, respectively.

(16) Interest income

	For the three-month periods ended March 31,	
	2023	2022
Interest income from bank deposits	\$ 533	\$ 457
Interest income from financial assets measured at amortized cost	45	11
	<u>\$ 578</u>	<u>\$ 468</u>

(17) Other income

	For the three-month periods ended March 31,	
	2023	2022
Other income – others	\$ 3,607	\$ 989

(18) Other gains and losses

	For the three-month periods ended March 31,	
	2023	2022
Currency exchange gain	\$ 1,375	\$ 22,450
Gain on disposal of property, plant and equipment	-	19
Other (losses) gains	( 29)	162
	<u>\$ 1,346</u>	<u>\$ 22,631</u>

(19) Finance costs

	For the three-month periods ended March 31,	
	2023	2022
Interest expense:		
Interest expense on bank borrowings	\$ 5,023	\$ 3,021
Interest expense on lease liabilities	385	599
Less: Capitalization of qualifying assets	( 3,114)	-
	<u>\$ 2,294</u>	<u>\$ 3,620</u>

(20) Expenses by nature

	For the three-month period ended March 31, 2023		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expense	\$ 56,360	\$ 44,905	\$ 101,265
Depreciation	10,968	7,735	18,703
Amortization	-	2,509	2,509
	<u>\$ 67,328</u>	<u>\$ 55,149</u>	<u>\$ 122,477</u>

  

	For the three-month period ended March 31, 2022		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expense	\$ 81,906	\$ 46,359	\$ 128,265
Depreciation	12,521	7,091	19,612
Amortization	-	2,460	2,460
	<u>\$ 94,427</u>	<u>\$ 55,910</u>	<u>\$ 150,337</u>

(21) Employee benefit expense

	For the three-month period ended March 31, 2023		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 46,263	\$ 39,330	\$ 85,593
Labor and health insurance expense	4,541	2,996	7,537
Pension costs	3,106	1,411	4,517
Other personnel expenses	2,450	1,168	3,618
	<u>\$ 56,360</u>	<u>\$ 44,905</u>	<u>\$ 101,265</u>

  

	For the three-month period ended March 31, 2022		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 68,620	\$ 40,810	\$ 109,430
Labor and health insurance expense	7,133	2,712	9,845
Pension costs	3,552	1,526	5,078
Other personnel expenses	2,601	1,311	3,912
	<u>\$ 81,906</u>	<u>\$ 46,359</u>	<u>\$ 128,265</u>

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 3% to 15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the three-month periods ended March 31, 2023 and 2022, the Company's employees' compensation were \$2,649 and \$5,939, respectively; while directors' remuneration were \$530 and \$1,187, respectively. The aforementioned amounts were recognized in salary expenses and were estimated and accrued based on the profit as of the end of the reporting period and the percentage specified in the Articles of Incorporation of the Company.

The employees' compensation and directors' remuneration for 2022 as resolved by the Board of Directors were \$18,500 and \$4,000, respectively, and 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 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.

(22) Income tax

A. Income tax expense:

Components of income tax expense:

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Current income tax:		
Income tax incurred in current period	\$ 10,566	\$ 19,114
Deferred income tax:		
Origination and reversal of temporary differences	215	1,745
Income tax expense	<u>\$ 10,781</u>	<u>\$ 20,859</u>

B. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority, while 2020 have not been approved. There were no disputes existing between the Company and the Tax Authority as of May 9, 2023.

(23) Earnings per share (“EPS”)

	<u>For the three-month period ended March 31, 2023</u>		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 37,147</u>	<u>87,262</u>	<u>\$ 0.43</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 37,147	87,262	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	<u>-</u>	<u>82</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 37,147</u>	<u>87,344</u>	<u>\$ 0.43</u>
	<u>For the three-month period ended March 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 72,864</u>	<u>88,817</u>	<u>\$ 0.82</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 72,864	88,817	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	<u>-</u>	<u>337</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 72,864</u>	<u>89,154</u>	<u>\$ 0.82</u>

The abovementioned weighted average number of shares outstanding was retrospectively adjusted proportionately to the capitalized amount of unappropriated earnings for the year ended December 31, 2021.

(24) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Purchase of property, plant and equipment	\$ 43,118	\$ 3,791
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	( 1,337)	( 2,546)
Ending balance of payable for equipment	( 7,577)	( 3,429)
Capitalization of interest	( 3,114)	-
Cash paid during the period	<u>\$ 58,323</u>	<u>\$ 48,660</u>

B. Operating and investing activities with no cash flow effects

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
(a) Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 15,122</u>	<u>\$ -</u>
	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
(b) Cash dividends appropriation	<u>\$ 174,524</u>	<u>\$ 121,114</u>

(25) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Lease liability</u>	<u>Long-term borrowings</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2023	\$ 225,000	\$ 128,201	\$ 783,160	\$ 1,136,361
Changes in cash flow from financing activities	100,000	( 896)	93,076	192,180
Changes in cash flow from other non-financing activities	-	( 42,140)	-	( 42,140)
Impact of changes in foreign exchange rate	-	-	( 737)	( 737)
At March 31, 2023	<u>\$ 325,000</u>	<u>\$ 85,165</u>	<u>\$ 875,499</u>	<u>\$ 1,285,664</u>

	<u>Short-term borrowings</u>	<u>Lease liability</u>	<u>Long-term borrowings</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2022	\$ 230,000	\$ 126,586	\$ 703,138	\$ 1,059,724
Changes in cash flow from financing activities	10,000	( 1,394)	( 20,528)	( 11,922)
Changes in cash flow from other non-financing activities	-	7,227	-	7,227
Impact of changes in foreign exchange rate	-	-	2,743	2,743
At March 31, 2022	<u>\$ 240,000</u>	<u>\$ 132,419</u>	<u>\$ 685,353</u>	<u>\$ 1,057,772</u>

## 7. RELATED PARTY TRANSACTIONS

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

None.

### (2) Key management compensation

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	<u>\$ 7,940</u>	<u>\$ 7,158</u>

## 8. PLEDGED ASSETS

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

<u>Asset pledged</u>	<u>Book value</u>			<u>Purpose of collateral</u>
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	
Restricted time deposits (Note 1)	\$ 8,700	\$ 8,700	\$ -	Performance guarantee
Land (Note 2)	370,597	371,056	367,377	Guarantee for long- term borrowings
Buildings and structures-net (Note 2)	530,754	535,302	538,421	Guarantee for long- term borrowings
	<u>\$ 910,051</u>	<u>\$ 915,058</u>	<u>\$ 905,798</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 March 31, 2023, December 31, 2022 and March 31, 2022, the Group's remaining balance due for construction in progress and prepayments for equipment were \$207,016, \$208,203 and \$167,782, respectively.



(2) 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 March 31, 2023, the Company has not violated any of the above covenants.

(3) For the details of operating lease agreements, refer to Note 6(6), 'Leasing arrangements – lessee'.

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT SUBSEQUENT EVENTS

None.

#### 12. OTHERS

##### (1) Capital management

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

##### (2) Financial instruments

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

B. Financial risk management policies

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

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges

financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

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

	March 31, 2023		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 16,384	30.45	\$ 499,196
JPY:NTD	64,014	0.2288	14,646
EUR:NTD	2,136	33.15	70,824
<u>Financial liabilities</u>			
<u>Monetary items</u>			
JPY:NTD	3,374	0.2288	772
EUR:NTD	257	33.15	8,509

					December 31, 2022				
					Foreign currency	Exchange	Book value		
					amount (in thousands)	rate	(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			
					March 31, 2022				
					Foreign currency	Exchange	Book value		
					amount (in thousands)	rate	(NTD)		
(Foreign currency: functional currency)									
<u>Financial assets</u>									
<u>Monetary items</u>									
	USD:NTD	\$	10,772	28.625	\$	308,417			
	JPY:NTD		163,335	0.2353		38,433			
	EUR:NTD		4,790	31.92		152,894			
<u>Financial liabilities</u>									
<u>Monetary items</u>									
	JPY:NTD		4,135	0.2353		1,015			
	EUR:NTD		394	31.92		12,581			

Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If the exchange rate of NTD to other currencies had appreciated/depreciated by 1% with all other factors remaining constant, the Group's net profit (loss) after tax for the three-month periods ended March 31, 2023 and 2022 would increase/decrease by \$4,603 and \$3,889, respectively.

- (vi) The total exchange (loss) gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2023 and 2022 amounted to \$1,375 and \$22,450, 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 three-month periods ended March 31, 2023 and 2022, the Group's borrowings at variable rate were mainly denominated in NTD and USD.
  - (ii) The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
  - (iii) If the borrowing interest rate had increased/decreased by 10% with all other variables held constant, profit, net of tax for the three-month periods ended March 31, 2023 and 2022 would have decreased/increased by \$402 and \$242, respectively. The main factor is that changes in interest expense result from floating rate borrowings.
- (b) Credit risk
- I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
  - II. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored.
  - III. The Group manages its credit risk, whereby if the contract payments are past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition and the impairment is assessed when the contract payments are past due over certain days.
  - IV. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group's written-off financial assets that are still under recourse procedures 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. The expected credit loss ranges from 0.03% to 100%. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 16,325	\$ 15,941
Provision for impairment	558	1,140
Effect of foreign exchange	109	557
At March 31	<u>\$ 16,992</u>	<u>\$ 17,638</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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Floating rate:			
Expiring within one year	\$ 775,000	\$ 875,000	\$ 941,200
Expiring beyond one year	<u>2,520,000</u>	<u>2,620,000</u>	<u>2,760,000</u>
	<u>\$ 3,295,000</u>	<u>\$ 3,495,000</u>	<u>\$ 3,701,200</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>March 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	\$ 326,009	\$ -	\$ -	\$ -
Notes payable	91,746	-	-	-
Accounts payable	35,182	-	-	-
Other payables	316,723	-	-	-
Lease liability	5,126	5,126	15,378	75,604
Long-term borrowings (including current portion)	200,879	280,576	431,318	-
<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	11,576
Long-term borrowings (including current portion)	153,269	219,606	45,870	-
<u>March 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	\$ 240,576	\$ -	\$ -	\$ -
Notes payable	122,190	-	-	-
Accounts payable	52,691	-	-	-
Other payables	274,144	-	-	-
Lease liability	7,970	7,970	23,909	117,554
Long-term borrowings (including current portion)	87,159	164,996	376,845	89,562

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 March 31, 2023, December 31, 2022 and March 31, 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 three-month period ended March 31, 2023 is disclosed.)

(1) Significant transactions information

A. Loans to others: None.

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

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

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

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Refer to table 1.

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

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 2.

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

J. Significant inter-company transactions during the reporting period: Refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 4.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 6.

(4) Major shareholders information

Major shareholders information: Refer to table 7.

14. SEGMENT INFORMATION

(1) General information

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

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

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

	For the three-month period ended March 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	\$ 251,071	\$ 26,559	\$ 111,631	\$ 48,212	\$ 2,713	\$ 440,186
Inter-segment revenue	130,115	-	95	-	2,713	132,923
External revenue	120,956	26,559	111,536	48,212	-	307,263
Interest income	138	407	-	23	10	578
Depreciation and amortization	18,473	44	527	1,352	816	21,212
Capital expenditures	48,562	-	4,147	-	-	52,709
Interest expense	1,700	-	-	-	594	2,294
Segment pre-tax income	44,083	2,706	11,008	5,643	( 2)	63,438
Segment assets	3,345,346	222,626	274,073	102,152	196,950	4,141,147
Segment liabilities	1,724,355	5,273	36,248	3,105	85,604	1,854,585

  

	For the three-month period ended March 31, 2022					
	<u>CHIEFTEK PRECISION</u>	<u>Chieftek (Kunshan)</u>	<u>cpc Europa</u>	<u>cpc USA</u>	<u>Others</u>	<u>Total</u>
Segment revenue	\$ 325,896	\$ 58,341	\$ 107,981	\$ 50,220	\$ 2,500	\$ 544,938
Inter-segment revenue	148,963	-	40	-	2,500	151,503
External revenue	176,933	58,341	107,941	50,220	-	393,435
Interest income	9	430	-	20	9	468
Depreciation and amortization	20,156	43	370	751	752	22,072
Capital expenditures	10,610	-	34	81	-	10,725
Interest expense	3,049	-	-	-	571	3,620
Segment pre-tax income	91,871	8,201	4,929	7,802	( 18)	112,785
Segment assets	3,109,694	301,808	145,249	115,850	187,703	3,860,304
Segment liabilities	1,484,855	11,169	26,668	2,291	83,030	1,608,013



(3) Reconciliation for segment income

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

	For the three-month periods ended March 31,	
	2023	2022
Reportable segments pre-tax income	\$ 63,440	\$ 112,803
Other segments pre-tax gain	( 2)	( 18)
Inter segments gain	( 15,510)	( 19,062)
Profit before income tax	<u>\$ 47,928</u>	<u>\$ 93,723</u>

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

For the three-month period ended March 31, 2023

Table 1

Expressed in thousands of NTD

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

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
CHIEFTEK PRECISION CO., LTD.	Sugu new factory construction phase II	May 17, 2019	\$ 467,579	\$ 467,579	Hong Sheng Construction Corp.	—	—	—	—	\$ -	Negotiation	Building for operation use Completed and awaiting acceptance	—

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

March 31, 2023

Table 2

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as of March 31, 2023	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	Subsidiary	\$ 202,522	1.73	\$ -	—	\$ 21,542	\$ -

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES  
Significant inter-company transactions during the reporting period  
For the three-month period ended March 31, 2023

Table 3

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	Sales revenue	(\$ 84,159)	180 days after monthly-closing, T/T	(27%)
				Accounts receivable	202,522	—	5%
				Other payables	( 1,632)	—	—
		CHIEFTEK PRECISION USA CO., LTD.	1	Sales revenue	( 22,149)	180 days after monthly-closing, T/T	(7%)
				Accounts receivable	14,435	—	—
1	CHIEFTEK PRECISION USA CO., LTD.	CHIEFTEK PRECISION INTERNATINAL LLC	3	Sales revenue	( 23,807)	180 days after monthly-closing, T/T	(8%)
				Accounts receivable	41,561	—	1%
				Rent payment	2,713	—	1%
				Refundable deposits	1,523	—	—
2	CHIEFTEK PRECISION HOLDING CO., LTD.	Chieftek Machinery (Kunshan) Co., Ltd.	3	Dividend receivable	37,876	—	1%

(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 1:30.45) as of March 31, 2023.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

For the three-month period ended March 31, 2023

Table 4

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of March 31, 2023			Net profit (loss) of the investee for the year ended March 31, 2023	Investment income (loss) recognized by the Company for the year ended March 31, 2023	Footnote
				Balance as of March 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%	\$ 207,763	\$ 2,017	\$ 2,017	Subsidiary
	CHIEFTEK PRECISION INTERNATIONAL LLC	United States of America	Lease of real estate property	110,054	110,054	-	100%	110,692	( 21)	( 21)	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%	85,229	5,721	5,721	Subsidiary
	cpc Europa GmbH	Germany	Sales of high precision linear motion components and rendering after-sale services	98,695	98,695	-	100%	36,936	7,793	7,793	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 1:30.45) as of March 31, 2023.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Basic information

For the three-month period ended March 31, 2023

Table 5

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 three-month period ended March 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2023	Net income of investee for the three-month period ended March 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three-month period ended March 31, 2023 (Note 2)	Book value of investments in Mainland China as of March 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chieftek Machinery (Kunshan) Co., Ltd	Production, processing and sales of high precision linear motion components and rendering after-sale services	\$ 155,295	Note 1	\$ 155,295	\$ -	\$ -	\$ 155,295	\$ 2,017	100%	\$ 2,017	\$ 177,834	\$ 221,687	—

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 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.	\$ 155,295	\$ 155,295	\$ 1,371,937

(Note 1) Through investing in an existing company in the third area (CHIEFTEK PRECISION HOLDING CO., LTD.) which then invested in the investee in Mainland China.

(Note 2) The investment income (loss) is recognized based on the investees' financial statements that were reviewed by the parent company's auditors for the three-month period ended March 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 1:30.45) as of March 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 three-month period ended March 31, 2023

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Sales (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at March 31, 2023	%	Balance at March 31, 2023	Purpose	Maximum balance during the three-month period ended March 31, 2023	Balance at March 31, 2023	Interest rate	Interest during the three-month period ended March 31, 2023	Others
Chieftek Machinery (Kunshan) Co., Ltd	\$ 23,807	8%	\$ -	-	\$ 41,561	1%	\$ -	-	\$ -	\$ -	-	\$ -	\$ -

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Major shareholders information

March 31, 2023

Table 7

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.		4,871,100	5.45%

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.