

**CHIEFTEK PRECISION CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2023 AND 2022**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of CHIEFTEK PRECISION CO., LTD. and subsidiaries (the "Group") as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" 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\$346,495 thousand and NT\$328,649 thousand, constituting 9% and 8% of the consolidated total assets, and total liabilities of NT\$92,662 thousand and NT\$94,731 thousand, both constituting 6% of the consolidated total liabilities as of September 30, 2023 and 2022, respectively, and total comprehensive income of NT\$3,123 thousand, NT\$6,529 thousand, NT\$12,270 thousand and NT\$27,448 thousand, constituting 8%, 6%, 10% and 10% of the consolidated total comprehensive income for the three-month and nine-month periods then ended, respectively.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent auditors as described in the Basis for qualified conclusion section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2023 and 2022, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission.

Lin, Yung-Chih

Independent Auditors

Yeh, Fang-Ting

PricewaterhouseCoopers, Taiwan

Republic of China

November 7, 2023

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

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2023, DECEMBER 31, 2022 AND SEPTEMBER 30, 2022
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets							
1100	Cash and cash equivalents	\$ 828,014	21	\$ 864,154	21	\$ 902,925	22
1136	Financial assets at amortized cost -						
	current	97,044	2	76,810	2	78,918	2
1150	Notes receivable, net	15,221	-	13,930	-	19,063	1
1170	Accounts receivable, net	218,125	6	281,809	7	338,305	8
1200	Other receivables	3,784	-	5,269	-	14,845	1
130X	Inventories	667,392	17	635,641	16	584,971	14
1410	Prepayments	56,035	1	55,795	2	52,298	1
11XX	Total current assets	<u>1,885,615</u>	<u>47</u>	<u>1,933,408</u>	<u>48</u>	<u>1,991,325</u>	<u>49</u>
Non-current assets							
1600	Property, plant and equipment	1,906,138	48	1,861,738	46	1,831,618	45
1755	Right-of-use assets	78,546	2	123,913	3	125,586	3
1780	Intangible assets	64,469	2	71,078	2	73,134	2
1840	Deferred income tax assets	32,888	1	32,058	1	19,351	-
1915	Prepayments for equipment	7,427	-	19,260	-	29,052	1
1920	Guarantee deposits paid	13,065	-	9,351	-	9,732	-
1990	Other non-current assets	4,497	-	3,495	-	3,788	-
15XX	Total non-current assets	<u>2,107,030</u>	<u>53</u>	<u>2,120,893</u>	<u>52</u>	<u>2,092,261</u>	<u>51</u>
1XXX	Total assets	<u>\$ 3,992,645</u>	<u>100</u>	<u>\$ 4,054,301</u>	<u>100</u>	<u>\$ 4,083,586</u>	<u>100</u>

(Continued)

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2023, DECEMBER 31, 2022 AND SEPTEMBER 30, 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	September 30, 2023		December 31, 2022		September 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Liabilities								
Current liabilities								
2100	Short-term borrowings	6(8)	\$ 285,950	7	\$ 225,000	6	\$ 275,000	7
2130	Current contract liabilities	6(16)	292	-	664	-	1,009	-
2150	Notes payable		64,472	2	160,497	4	137,934	3
2170	Accounts payable		26,577	1	46,525	1	63,553	1
2200	Other payables	6(9)	141,083	3	164,912	4	198,472	5
2230	Current income tax liabilities		31,307	1	88,497	2	69,804	2
2280	Current lease liabilities	6(6)(20)	3,658	-	5,713	-	5,687	-
2320	Long-term liabilities, current portion	6(10), 8 and 9	205,131	5	140,494	3	89,455	2
21XX	Total current liabilities		<u>758,470</u>	<u>19</u>	<u>832,302</u>	<u>20</u>	<u>840,914</u>	<u>20</u>
Non-current liabilities								
2540	Long-term borrowings	6(10), 8 and 9	753,014	19	642,666	16	603,589	15
2570	Deferred income tax liabilities	6(23)	26,120	1	27,670	1	28,718	1
2580	Non-current lease liabilities	6(6)(20)	79,703	2	122,488	3	123,926	3
2640	Net defined benefit liabilities	6(11)	5,686	-	5,945	-	7,258	-
25XX	Total non-current liabilities		<u>864,523</u>	<u>22</u>	<u>798,769</u>	<u>20</u>	<u>763,491</u>	<u>19</u>
2XXX	Total liabilities		<u>1,622,993</u>	<u>41</u>	<u>1,631,071</u>	<u>40</u>	<u>1,604,405</u>	<u>39</u>
Equity								
Share capital 6(12)(15)								
3110	Common stock		892,619	22	892,619	22	892,619	22
Capital reserves 6(14)								
3200	Capital surplus		446,121	11	446,121	11	446,121	11
Retained earnings 6(15)								
3310	Legal reserve		247,879	6	213,096	5	213,096	5
3320	Special reserve		24,491	1	50,626	1	50,626	1
3350	Unappropriated retained earnings		916,039	23	992,829	25	898,176	22
3400	Other equity interest		(9,927)	-	(24,491)	-	(17,872)	-
3500	Treasury stocks	6(12)	(147,570)	(4)	(147,570)	(4)	(3,585)	-
3XXX	Total equity		<u>2,369,652</u>	<u>59</u>	<u>2,423,230</u>	<u>60</u>	<u>2,479,181</u>	<u>61</u>
Significant Contingent Liabilities and 6(6) and 9								
Unrecognized Contract Commitments								
3X2X	Total liabilities and equity		<u>\$ 3,992,645</u>	<u>100</u>	<u>\$ 4,054,301</u>	<u>100</u>	<u>\$ 4,083,586</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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2023		2022		2023		2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(16)	\$ 245,156	100	\$ 421,305	100	\$ 838,397	100	\$ 1,266,381	100
5000	Operating costs	6(4)(11)(21)(2) 2)	(141,319)	(58)	(241,689)	(57)	(470,103)	(56)	(725,289)	(57)
5900	Net operating margin		<u>103,837</u>	<u>42</u>	<u>179,616</u>	<u>43</u>	<u>368,294</u>	<u>44</u>	<u>541,092</u>	<u>43</u>
	Operating expenses	6(7)(11)(21)(2) 2) and 7								
6100	Selling expenses		(31,435)	(13)	(38,075)	(9)	(89,449)	(11)	(97,099)	(8)
6200	General and administrative expenses		(32,640)	(13)	(26,711)	(6)	(109,346)	(13)	(107,718)	(8)
6300	Research and development expenses		(18,261)	(7)	(18,847)	(5)	(56,161)	(7)	(57,308)	(5)
6450	Expected credit impairment loss	12	(22)	-	(71)	-	(470)	-	(19)	-
6000	Total operating expenses		<u>(82,358)</u>	<u>(33)</u>	<u>(83,704)</u>	<u>(20)</u>	<u>(255,426)</u>	<u>(31)</u>	<u>(262,144)</u>	<u>(21)</u>
6900	Operating profit		<u>21,479</u>	<u>9</u>	<u>95,912</u>	<u>23</u>	<u>112,868</u>	<u>13</u>	<u>278,948</u>	<u>22</u>
	Non-operating income and expenses									
7100	Interest income	6(2)(17)	629	-	549	-	4,253	1	1,742	-
7010	Other income	6(18)	705	-	2,368	-	5,193	1	3,987	1
7020	Other gains and losses	6(19) and 12	20,501	9	33,823	8	36,839	4	62,640	5
7050	Finance costs	6(5)(6)(20)	(6,941)	(3)	(4,122)	(1)	(14,433)	(2)	(11,349)	(1)
7000	Total non-operating income and expenses		<u>14,894</u>	<u>6</u>	<u>32,618</u>	<u>7</u>	<u>31,852</u>	<u>4</u>	<u>57,020</u>	<u>5</u>
7900	Profit before income tax		<u>36,373</u>	<u>15</u>	<u>128,530</u>	<u>30</u>	<u>144,720</u>	<u>17</u>	<u>335,968</u>	<u>27</u>
7950	Income tax expense	6(23)	(11,169)	(5)	(38,891)	(9)	(38,338)	(5)	(82,801)	(7)
8200	Profit for the period		<u>\$ 25,204</u>	<u>10</u>	<u>\$ 89,639</u>	<u>21</u>	<u>\$ 106,382</u>	<u>12</u>	<u>\$ 253,167</u>	<u>20</u>
	Other comprehensive income (Net)									
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations		<u>\$ 13,723</u>	<u>6</u>	<u>\$ 16,159</u>	<u>4</u>	<u>\$ 14,564</u>	<u>2</u>	<u>\$ 32,754</u>	<u>3</u>
8300	Total other comprehensive income for the period		<u>\$ 13,723</u>	<u>6</u>	<u>\$ 16,159</u>	<u>4</u>	<u>\$ 14,564</u>	<u>2</u>	<u>\$ 32,754</u>	<u>3</u>
8500	Total comprehensive income for the period		<u>\$ 38,927</u>	<u>16</u>	<u>\$ 105,798</u>	<u>25</u>	<u>\$ 120,946</u>	<u>14</u>	<u>\$ 285,921</u>	<u>23</u>
	Earnings per share (in dollars)	6(24)								
9750	Basic		<u>\$ 0.29</u>		<u>\$ 1.01</u>		<u>\$ 1.22</u>		<u>\$ 2.85</u>	
9850	Diluted		<u>\$ 0.29</u>		<u>\$ 1.00</u>		<u>\$ 1.22</u>		<u>\$ 2.84</u>	

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 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>For the nine-month period ended September 30, 2022</u>									
Balance at January 1, 2022		\$ 811,876	\$ 440,667	\$ 182,266	\$ 36,323	\$ 891,999	(\$ 50,626)	(\$ 26,550)	\$ 2,285,955
Profit for the period		-	-	-	-	253,167	-	-	253,167
Other comprehensive income for the period		-	-	-	-	-	32,754	-	32,754
Total comprehensive income for the period		-	-	-	-	253,167	32,754	-	285,921
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)	-	5,534	-	-	-	-	-	5,534
Treasury stocks transferred to employees	6(12)(14)	-	(80)	-	-	-	-	26,550	26,470
Purchase of treasury stocks	6(12)	-	-	-	-	-	-	(3,585)	(3,585)
Balance at September 30, 2022		\$ 892,619	\$ 446,121	\$ 213,096	\$ 50,626	\$ 898,176	(\$ 17,872)	(\$ 3,585)	\$ 2,479,181
<u>For the nine-month period ended September 30, 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		-	-	-	-	106,382	-	-	106,382
Other comprehensive income for the period		-	-	-	-	-	14,564	-	14,564
Total comprehensive income for the period		-	-	-	-	106,382	14,564	-	120,946
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 September 30, 2023		\$ 892,619	\$ 446,121	\$ 247,879	\$ 24,491	\$ 916,039	(\$ 9,927)	(\$ 147,570)	\$ 2,369,652

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	For the nine-month periods ended September 30	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 144,720	\$ 335,968
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12	470	19
Loss on inventory market price decline	6(4)	2,666	8,221
Depreciation	6(5)(6)(21)	51,944	56,811
Gain on disposal of property, plant and equipment	6(19)	-	(19)
Amortization	6(7)(21)	7,556	7,394
Prepayments for equipment transferred to loss		-	78
Interest income	6(17)	(4,253)	(1,742)
Interest expense	6(20)	14,433	11,349
Compensation cost recognized for transfer of treasury stocks	6(13)	-	5,534
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(1,291)	27,254
Accounts receivable		63,139	62,713
Other receivables		1,485	(8,089)
Inventories		(34,323)	(152,769)
Prepayments		(240)	(6,912)
Changes in operating liabilities			
Current contract liabilities		(372)	(1,617)
Notes payable		(76,821)	11,171
Accounts payable		(19,948)	14,097
Other payables		(23,950)	22,676
Net defined benefit liabilities		(259)	(223)
Cash inflow generated from operations		124,956	391,914
Interest received		4,253	1,742
Interest paid		(13,895)	(11,300)
Income tax received		-	10
Income tax paid		(97,908)	(52,246)
Net cash flows from operating activities		<u>17,406</u>	<u>330,120</u>

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CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	For the nine-month periods ended September 30	
		2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in financial assets at amortized cost - current		(\$ 20,234)	(\$ 8,506)
Cash paid for acquisition of property, plant and equipment	6(25)	(73,720)	(153,038)
Interest paid for acquisition of property, plant and equipment	6(5)(20)	(3,114)	-
Proceeds from disposal of property, plant and equipment		-	19
Acquisition of intangible assets	6(7)	(947)	(952)
Increase in prepayments for equipment		(14,444)	(13,790)
Increase in guarantee deposits paid		(3,714)	(1,733)
(Increase) decrease in other non-current assets		(1,002)	690
Net cash flows used in investing activities		(117,175)	(177,310)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(26)	60,950	45,000
Payments of lease liability	6(26)	(2,700)	(4,200)
Increase in long-term borrowings	6(26)	300,620	100,000
Decrease in long-term borrowings	6(26)	(131,073)	(121,807)
Payments of cash dividends	6(15)	(174,524)	(121,114)
Treasury stocks transferred to employees	6(12)	-	26,470
Net cash flows from (used in) financing activities		53,273	(75,651)
Effect of foreign exchange rate changes on cash and cash equivalents		10,356	23,816
Net (decrease) increase in cash and cash equivalents		(36,140)	100,975
Cash and cash equivalents at beginning of period	6(1)	864,154	801,950
Cash and cash equivalents at end of period	6(1)	\$ 828,014	\$ 902,925

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 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 November 7, 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
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 IFRSs 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:

<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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by IASB
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 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 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
			September 30, 2023	December 31, 2022	September 30, 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
			September 30, 2023	December 31, 2022	September 30, 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 nine-month periods ended September 30, 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 recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

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

There have been no significant changes as of September 30, 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash:			
Cash on hand	\$ 1,340	\$ 1,656	\$ 1,521
Checking accounts and demand deposits	760,694	861,108	900,076
	<u>762,034</u>	<u>862,764</u>	<u>901,597</u>
Cash Equivalents:			
Time deposits	65,980	1,390	1,328
	<u>\$ 828,014</u>	<u>\$ 864,154</u>	<u>\$ 902,925</u>

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

B. The Group has no cash and cash equivalents pledged to others as of September 30, 2023, December 31, 2022 and September 30, 2022.

(2) Financial assets at amortized cost - current

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Restricted demand deposits (Note)	\$ 63,460	\$ 60,064	\$ 61,913
Restricted time deposits	8,700	8,700	8,700
Time deposits with maturity of over 3 months	24,884	8,046	8,305
	<u>\$ 97,044</u>	<u>\$ 76,810</u>	<u>\$ 78,918</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 \$240, \$39, \$710 and \$86 from financial assets at amortized cost for the three-month and nine-month periods ended September 30, 2023 and 2022, respectively, shown as part of "Interest Income".

- B. As of September 30, 2023, December 31, 2022 and September 30, 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 September 30, 2023, December 31, 2022 and September 30, 2022, refer to Note 8, 'Pledged assets'.
- 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Notes receivable	\$ 15,221	\$ 13,930	\$ 19,063
	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts receivable	\$ 234,995	\$ 298,134	\$ 354,665
Less: Allowance for doubtful accounts	(16,870)	(16,325)	(16,360)
	<u>\$ 218,125</u>	<u>\$ 281,809</u>	<u>\$ 338,305</u>

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

	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 13,634	\$ 167,503	\$ 13,754	\$ 226,438	\$ 18,884	\$ 284,147
Up to 30 days	1,410	21,724	-	20,364	-	23,998
31 to 90 days	-	25,436	-	26,445	-	24,242
91 to 180 days	-	3,235	-	8,408	-	5,854
Over 180 days	177	17,097	176	16,479	179	16,424
	<u>\$ 15,221</u>	<u>\$ 234,995</u>	<u>\$ 13,930</u>	<u>\$ 298,134</u>	<u>\$ 19,063</u>	<u>\$ 354,665</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 September 30, 2023, December 31, 2022 and September 30, 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

	September 30, 2023		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 48,037	(\$ 5,476)	\$ 42,561
Supplies	79,985	(17,554)	62,431
Work in process	320,840	(19,919)	300,921
Finished goods	299,088	(37,609)	261,479
	<u>\$ 747,950</u>	<u>(\$ 80,558)</u>	<u>\$ 667,392</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>

	September 30, 2022		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 58,301	(\$ 3,668)	\$ 54,633
Supplies	97,517	(13,370)	84,147
Work in process	248,576	(23,039)	225,537
Finished goods	259,181	(38,527)	220,654
	<u>\$ 663,575</u>	<u>(\$ 78,604)</u>	<u>\$ 584,971</u>

The cost of inventories recognized as expense for the period:

	For the three-month periods ended September 30,	
	2023	2022
Cost of goods sold	\$ 137,378	\$ 236,730
Loss on inventory market price decline	4,034	5,825
Gain on physical inventory	(5)	(754)
Revenue from sale of scraps	(88)	(112)
	<u>\$ 141,319</u>	<u>\$ 241,689</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 468,264	\$ 718,039
Loss on inventory market price decline	2,666	8,221
Gain on physical inventory	(296)	(488)
Revenue from sale of scraps	(531)	(483)
	<u>\$ 470,103</u>	<u>\$ 725,289</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>Nine-month period ended September 30, 2023</u>								
At January 1, 2023	\$ 399,025	\$ 555,227	\$ 70,666	\$ 1,108	\$ 2,029	\$ 17,253	\$ 816,430	\$ 1,861,738
Additions	822	2,461	7,884	150	1,414	727	43,755	57,213
Transferred from prepayments for equipment	-	-	-	-	-	-	26,277	26,277
Transferred after acceptance inspection	-	3,264	12,632	-	-	291	(16,187)	-
Depreciation	-	(16,866)	(22,069)	(463)	(1,677)	(7,642)	-	(48,717)
Disposals – Cost	-	(1,232)	(24,818)	-	(344)	(1,399)	-	(27,793)
– Accumulated depreciation	-	1,232	24,818	-	344	1,399	-	27,793
Net currency exchange differences	3,780	5,586	192	5	18	46	-	9,627
At September 30, 2023	<u>\$ 403,627</u>	<u>\$ 549,672</u>	<u>\$ 69,305</u>	<u>\$ 800</u>	<u>\$ 1,784</u>	<u>\$ 10,675</u>	<u>\$ 870,275</u>	<u>\$ 1,906,138</u>
<u>At September 30, 2023</u>								
Cost	\$ 403,627	\$ 778,224	\$ 964,231	\$ 4,554	\$ 24,752	\$ 177,425	\$ 870,275	\$ 3,223,088
Accumulated depreciation	-	(228,552)	(894,926)	(3,754)	(22,968)	(166,750)	-	(1,316,950)
	<u>\$ 403,627</u>	<u>\$ 549,672</u>	<u>\$ 69,305</u>	<u>\$ 800</u>	<u>\$ 1,784</u>	<u>\$ 10,675</u>	<u>\$ 870,275</u>	<u>\$ 1,906,138</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>Nine-month period ended September 30, 2022</u>								
At January 1, 2022	\$ 365,709	\$ 561,505	\$ 93,069	\$ 1,637	\$ 2,082	\$ 27,448	\$ 659,736	\$ 1,711,186
Additions	26,601	2,133	4,923	-	1,059	1,321	85,494	121,531
Transferred from prepayments for equipment	-	-	-	-	-	-	28,168	28,168
Transferred after acceptance inspection	-	726	-	-	-	620	(1,346)	-
Depreciation	-	(16,233)	(24,399)	(436)	(891)	(9,834)	-	(51,793)
Disposals — Cost	-	-	(682)	(1,440)	(62)	(85)	-	(2,269)
— Accumulated depreciation	-	-	682	1,440	62	85	-	2,269
Net currency exchange differences	7,302	15,081	41	3	101	(2)	-	22,526
At September 30, 2022	<u>\$ 399,612</u>	<u>\$ 563,212</u>	<u>\$ 73,634</u>	<u>\$ 1,204</u>	<u>\$ 2,351</u>	<u>\$ 19,553</u>	<u>\$ 772,052</u>	<u>\$ 1,831,618</u>
<u>At September 30, 2022</u>								
Cost	\$ 399,612	\$ 770,135	\$ 962,584	\$ 4,335	\$ 23,508	\$ 177,406	\$ 772,052	\$ 3,109,632
Accumulated depreciation	-	(206,923)	(888,950)	(3,131)	(21,157)	(157,853)	-	(1,278,014)
	<u>\$ 399,612</u>	<u>\$ 563,212</u>	<u>\$ 73,634</u>	<u>\$ 1,204</u>	<u>\$ 2,351</u>	<u>\$ 19,553</u>	<u>\$ 772,052</u>	<u>\$ 1,831,618</u>

- A. Property, plant and equipment of the Group were all for operating purposes as of September 30, 2023, December 31, 2022 and September 30, 2022.
- B. Amount of borrowing costs capitalized as part of property, plant and equipment and the interest rates for such capitalization are as follows:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Amount capitalized	\$ 3,114	\$ -
Interest rates for capitalization	1.63%	-

For the three-month periods ended September 30, 2023 and 2022, no borrowing costs were capitalized as part of property, plant and equipment.

- C. Information about the property, plant and equipment that were pledged to others as collateral as of September 30, 2023, December 31, 2022 and September 30, 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Land	\$ 78,546	\$ 123,913	\$ 125,586

Depreciation charge:

	<u>For the three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Land	\$ 1,076	\$ 1,673

	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Land	\$ 3,227	\$ 5,018

- C. For the nine-month periods ended September 30, 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 September 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 377	\$ 586
Expense on short-term lease contracts	\$ 2,985	\$ 2,190
	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,144	\$ 1,778
Expense on short-term lease contracts	\$ 8,944	\$ 8,299

E. For the nine-month periods ended September 30, 2023 and 2022, the Group's total cash outflow for leases were \$12,788 and \$14,277, 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>Nine-month period ended September 30, 2023</u>						
Net value at January 1, 2023	\$ 101	\$ 6,959	\$ 516	\$ 63,502	\$ -	\$ 71,078
Additions — acquired separately	-	844	103	-	-	947
Amortization	(8)	(567)	(177)	(6,804)	-	(7,556)
Net value at September 30, 2023	<u>\$ 93</u>	<u>\$ 7,236</u>	<u>\$ 442</u>	<u>\$ 56,698</u>	<u>\$ -</u>	<u>\$ 64,469</u>
<u>At September 30, 2023</u>						
Cost	\$ 685	\$ 12,947	\$ 13,523	\$ 90,718	\$ 60,000	\$ 177,873
Accumulated amortization	(592)	(5,711)	(13,081)	(34,020)	(13,500)	(66,904)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	<u>\$ 93</u>	<u>\$ 7,236</u>	<u>\$ 442</u>	<u>\$ 56,698</u>	<u>\$ -</u>	<u>\$ 64,469</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>Nine-month period ended September 30, 2022</u>						
Net value at January 1, 2022	\$ -	\$ 6,903	\$ 99	\$ 72,574	\$ -	\$ 79,576
Additions – acquired separately	107	321	524	-	-	952
Amortization	(4)	(534)	(53)	(6,803)	-	(7,394)
Net value at September 30, 2022	<u>\$ 103</u>	<u>\$ 6,690</u>	<u>\$ 570</u>	<u>\$ 65,771</u>	<u>\$ -</u>	<u>\$ 73,134</u>
<u>At September 30, 2022</u>						
Cost	\$ 685	\$ 11,654	\$ 13,232	\$ 90,718	\$ 60,000	\$ 176,289
Accumulated amortization	(582)	(4,964)	(12,662)	(24,947)	(13,500)	(56,655)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	<u>\$ 103</u>	<u>\$ 6,690</u>	<u>\$ 570</u>	<u>\$ 65,771</u>	<u>\$ -</u>	<u>\$ 73,134</u>

A. For the three-month and nine-month periods ended September 30, 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 September 30,	
	2023	2022
General and administrative expenses	\$ 8	\$ -
Research and development expenses	2,519	2,474
	<u>\$ 2,527</u>	<u>\$ 2,474</u>
	For the nine-month periods ended September 30,	
	2023	2022
General and administrative expenses	\$ 14	\$ 12
Research and development expenses	7,542	7,382
	<u>\$ 7,556</u>	<u>\$ 7,394</u>

(8) Short-term borrowings

<u>Nature</u>	<u>September 30, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank unsecured borrowings	\$ 285,950	1.45%~1.81%	None
<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
<u>Nature</u>	<u>September 30, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank unsecured borrowings	\$ 275,000	0.90%~1.44%	None

For more information about interest expense recognized by the Group for the three-month and nine-month periods ended September 30, 2023 and 2022, refer to Note 6(20), 'Finance costs'.

(9) Other payables

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accrued salaries and bonuses	60,763	71,127	78,684
Employees' compensation and directors' remuneration payable	32,654	22,500	24,572
Equipment payable	3,988	4,405	18,358
Miscellaneous payable	3,903	6,422	9,156
Others	39,775	60,458	67,702
	<u>\$ 141,083</u>	<u>\$ 164,912</u>	<u>\$ 198,472</u>

(10) Long-term borrowings

<u>Nature</u>	<u>Expiry date</u>	<u>September 30, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Long-term bank borrowings				
Secured borrowings	May 15, 2027 ~ August 25, 2028	\$ 580,582	1.73% ~ 2.81%	Land, buildings and structures
Unsecured borrowings	February 25, 2025 ~ May 15, 2027	377,563	1.84% ~ 4.43%	None
		958,145		
Less: Current portion		(205,131)		
		<u>\$ 753,014</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	210,000	1.71% ~ 1.81%	None
		783,160		
Less: Current portion		(140,494)		
		<u>\$ 642,666</u>		

<u>Nature</u>	<u>Expiry date</u>	<u>September 30, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Long-term bank borrowings				
Secured borrowings	March 20, 2025 ~ December 28, 2028	\$ 483,044	1.44% ~ 2.81%	Land, buildings and structures
Unsecured borrowings	February 25, 2025 ~ May 15, 2027	210,000	1.45%	None
		693,044		
Less: Current portion		(89,455)		
		<u>\$ 603,589</u>		

For more information about interest expense recognized by the Group for the three-month and nine-month periods ended September 30, 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) No pension cost was recognized under the aforementioned defined benefit pension plan of the Company for the three-month and nine-month periods ended September 30, 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 and nine-month periods ended September 30, 2023 and 2022 were \$3,734, \$4,917, \$12,148 and \$14,974, 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 nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Balance at beginning of period	87,262	80,743
Stock dividends	-	8,074
Treasury stocks transferred to employees	-	445
Purchase of treasury stocks	-	(52)
Balance at end of period	<u>87,262</u>	<u>89,210</u>

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

C. Treasury stocks

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

	<u>For the nine-month period ended September 30, 2023</u>			
	<u>Shares at beginning of period</u>	<u>Increase</u>	<u>Decrease</u>	<u>Shares at end of period</u>
<u>To be reissued to employees</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>

	<u>For the nine-month period ended September 30, 2022</u>			
	<u>Shares at beginning of period</u>	<u>Increase</u>	<u>Decrease</u>	<u>Shares at end of period</u>
<u>To be reissued to employees</u>	<u>445</u>	<u>52</u>	<u>(445)</u>	<u>52</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 nine-month period ended September 30, 2022, treasury stocks purchased by the Company amounted to \$3,585 (52 thousand shares).

As of September 30, 2023, December 31, 2022 and September 30, 2022, the treasury shares amounted to \$147,570, \$147,570 and \$3,585, 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.

(e) For the nine-month period ended September 30, 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 September 30, 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 nine-month period ended September 30, 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 nine-month period ended September 30, 2023.

(14) Capital reserve

<u>For the nine-month period ended September 30, 2023</u>	<u>Share premium</u>	<u>Treasury share transactions</u>	<u>Others</u>	<u>Total</u>
Balances at beginning and end of period	\$ 440,553	\$ 5,454	\$ 114	\$ 446,121

<u>For the nine-month period ended September 30, 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 period	\$ 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 period	\$ 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.

(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 nine-month periods ended September 30, 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).

(16) Operating revenue

	<u>For the three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	<u>\$ 245,156</u>	<u>\$ 421,305</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	<u>\$ 838,397</u>	<u>\$ 1,266,381</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 \$292, \$664, \$1,009 and \$2,626 as of September 30, 2023, December 31, 2022, September 30, 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 and nine-month periods ended September 30, 2023 and 2022 were \$ —, \$277, \$452 and \$1,451, respectively.

(17) Interest income

	<u>For the three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 389	\$ 510
Interest income from financial assets measured at amortized cost	<u>240</u>	<u>39</u>
	<u>\$ 629</u>	<u>\$ 549</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 3,543	\$ 1,656
Interest income from financial assets measured at amortized cost	<u>710</u>	<u>86</u>
	<u>\$ 4,253</u>	<u>\$ 1,742</u>

(18) Other income

	For the three-month periods ended September 30,	
	2023	2022
Other income – others	\$ 705	\$ 2,368

	For the nine-month periods ended September 30,	
	2023	2022
Other income – others	\$ 5,193	\$ 3,987

(19) Other gains and losses

	For the three-month periods ended September 30,	
	2023	2022
Currency exchange gain	\$ 20,539	\$ 33,823
Other losses	(38)	-
	\$ 20,501	\$ 33,823

	For the nine-month periods ended September 30,	
	2023	2022
Currency exchange gain	\$ 36,907	\$ 62,622
Gain on disposal of property, plant and equipment	-	19
Other losses	(68)	(1)
	\$ 36,839	\$ 62,640

(20) Finance costs

	For the three-month periods ended September 30,	
	2023	2022
Interest expense:		
Interest expense on bank borrowings	\$ 6,564	\$ 3,536
Interest expense on lease liabilities	377	586
	\$ 6,941	\$ 4,122

	For the nine-month periods ended September 30,	
	2023	2022
Interest expense:		
Interest expense on bank borrowings	\$ 16,403	\$ 9,571
Interest expense on lease liabilities	1,144	1,778
Less: Capitalization of qualifying assets	(3,114)	-
	\$ 14,433	\$ 11,349

(21) Expenses by nature

	For the three-month period ended September 30, 2023		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expense	\$ 49,426	\$ 37,023	\$ 86,449
Depreciation	9,513	6,421	15,934
Amortization	-	2,527	2,527
	<u>\$ 58,939</u>	<u>\$ 45,971</u>	<u>\$ 104,910</u>

	For the three-month period ended September 30, 2022		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expense	\$ 97,244	\$ 39,526	\$ 136,770
Depreciation	11,960	6,552	18,512
Amortization	-	2,474	2,474
	<u>\$ 109,204</u>	<u>\$ 48,552</u>	<u>\$ 157,756</u>

	For the nine-month period ended September 30, 2023		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expense	\$ 162,385	\$ 126,558	\$ 288,943
Depreciation	31,273	20,671	51,944
Amortization	-	7,556	7,556
	<u>\$ 193,658</u>	<u>\$ 154,785</u>	<u>\$ 348,443</u>

	For the nine-month period ended September 30, 2022		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expense	\$ 261,427	\$ 135,306	\$ 396,733
Depreciation	36,616	20,195	56,811
Amortization	-	7,394	7,394
	<u>\$ 298,043</u>	<u>\$ 162,895</u>	<u>\$ 460,938</u>

(22) Employee benefit expense

	For the three-month period ended September 30, 2023		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 39,577	\$ 32,011	\$ 71,588
Labor and health insurance expense	5,411	2,395	7,806
Pension costs	2,280	1,454	3,734
Other personnel expenses	2,158	1,163	3,321
	<u>\$ 49,426</u>	<u>\$ 37,023</u>	<u>\$ 86,449</u>

	For the three-month period ended September 30, 2022		
	Operating cost	Operating expense	Total
Wages and salaries	\$ 83,280	\$ 29,433	\$ 112,713
Employee compensation cost	249	5,285	5,534
Labor and health insurance expense	7,542	2,252	9,794
Pension costs	3,507	1,410	4,917
Other personnel expenses	2,666	1,146	3,812
	<u>\$ 97,244</u>	<u>\$ 39,526</u>	<u>\$ 136,770</u>

	For the nine-month period ended September 30, 2023		
	Operating cost	Operating expense	Total
Wages and salaries	\$ 129,496	\$ 110,918	\$ 240,414
Labor and health insurance expense	18,245	7,776	26,021
Pension costs	7,796	4,352	12,148
Other personnel expenses	6,848	3,512	10,360
	<u>\$ 162,385</u>	<u>\$ 126,558</u>	<u>\$ 288,943</u>

	For the nine-month period ended September 30, 2022		
	Operating cost	Operating expense	Total
Wages and salaries	\$ 220,978	\$ 114,722	\$ 335,700
Employee compensation cost	249	5,285	5,534
Labor and health insurance expense	21,802	7,195	28,997
Pension costs	10,529	4,445	14,974
Other personnel expenses	7,869	3,659	11,528
	<u>\$ 261,427</u>	<u>\$ 135,306</u>	<u>\$ 396,733</u>

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 3% to 15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the three-month and nine-month periods ended September 30, 2023 and 2022, the Company's employees' compensation were \$2,000, \$7,809, \$8,462 and \$20,477, respectively; while directors' remuneration were \$400, \$1,561, \$1,692 and \$4,095, 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 amounting to \$18,500 and \$4,000, respectively were the same with the amounts recognized in the 2022 financial statements. The employees' compensation will be distributed in the form of cash. The employees' compensation and directors' remuneration for 2022 have not yet been distributed as of September 30, 2023.

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:

Components of income tax expense:

	<u>For the three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Current income tax:		
Income tax incurred in current period	\$ 11,247	\$ 28,503
Deferred income tax:		
Origination and reversal of temporary differences	(78)	10,388
Income tax expense	<u>\$ 11,169</u>	<u>\$ 38,891</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Current income tax:		
Income tax incurred in current period	\$ 38,694	\$ 73,013
Prior year income tax under (over) estimation	2,024	(1,530)
Total current income tax	<u>40,718</u>	<u>71,483</u>
Deferred income tax:		
Origination and reversal of temporary differences	(2,380)	11,318
Income tax expense	<u>\$ 38,338</u>	<u>\$ 82,801</u>

B. The Company's income tax returns through 2021, except for 2020 income tax return, have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of November 7, 2023.

(24) Earnings per share (“EPS”)

	<u>For the three-month period ended September 30, 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>\$ 25,204</u>	<u>87,262</u>	<u>\$ 0.29</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 25,204	87,262	
Assumed conversion of all dilutive potential ordinary shares Employees’ compensation	<u>-</u>	<u>136</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 25,204</u>	<u>87,398</u>	<u>\$ 0.29</u>
	<u>For the three-month period ended September 30, 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>\$ 89,639</u>	<u>88,894</u>	<u>\$ 1.01</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 89,639	88,894	
Assumed conversion of all dilutive potential ordinary shares Employees’ compensation	<u>-</u>	<u>305</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 89,639</u>	<u>89,199</u>	<u>\$ 1.00</u>

<u>For the nine-month period ended September 30, 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	\$ 106,382	87,262	\$ 1.22
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 106,382	87,262	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	151	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 106,382	87,413	\$ 1.22

<u>For the nine-month period ended September 30, 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	\$ 253,167	88,843	\$ 2.85
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 253,167	88,843	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	331	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 253,167	89,174	\$ 2.84

(25) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the nine-month periods ended September 30,	
	2023	2022
Purchase of property, plant and equipment	\$ 57,213	\$ 121,531
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	(3,624)	(979)
Ending balance of payable for equipment	(3,988)	(18,358)
Capitalization of interest	(3,114)	-
Cash paid during the period	<u>\$ 73,720</u>	<u>\$ 153,038</u>

B. Investing and financing activities with no cash flow effects

	For the nine-month periods ended September 30,	
	2023	2022
(a) Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 26,277</u>	<u>\$ 28,168</u>
(b) Unpaid cash for purchase of treasury stocks (listed as 'other payables')	<u>\$ -</u>	<u>\$ 3,585</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	60,950	(2,700)	169,547	227,797
Changes in cash flow from other non-financing activities	-	(42,140)	-	(42,140)
Impact of changes in foreign exchange rate	-	-	5,438	5,438
At September 30, 2023	<u>\$ 285,950</u>	<u>\$ 83,361</u>	<u>\$ 958,145</u>	<u>\$ 1,327,456</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	45,000	(4,200)	(21,807)	18,993
Changes in cash flow from other non-financing activities	-	7,227	-	7,227
Impact of changes in foreign exchange rate	-	-	11,713	11,713
At September 30, 2022	<u>\$ 275,000</u>	<u>\$ 129,613</u>	<u>\$ 693,044</u>	<u>\$ 1,097,657</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 September 30,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	<u>\$ 6,754</u>	<u>\$ 8,321</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	<u>\$ 22,719</u>	<u>\$ 22,632</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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>	
Restricted time deposits (Note 1)	\$ 8,700	\$ 8,700	\$ 8,700	Performance guarantee
Land (Note 2)	373,809	371,056	372,891	Guarantee for long- term borrowings
Buildings and structures- net(Note 2)	529,988	535,302	542,712	Guarantee for long- term borrowings
	<u>\$ 912,497</u>	<u>\$ 915,058</u>	<u>\$ 924,303</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 September 30, 2023, December 31, 2022 and September 30, 2022, the Group's remaining balance due for construction in progress and prepayments for equipment were \$130,059, \$208,203 and \$202,377, 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 September 30, 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:

September 30, 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	\$ 12,250	32.27	\$ 395,320
JPY:NTD	102,167	0.2162	22,088
EUR:NTD	4,207	33.91	142,659
<u>Financial liabilities</u>			
<u>Monetary items</u>			
EUR:NTD	389	33.91	13,195

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

September 30, 2022			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 10,655	31.75	\$ 338,308
JPY:NTD	87,271	0.2201	19,208
EUR:NTD	4,625	31.26	144,564
<u>Financial liabilities</u>			
<u>Monetary items</u>			
EUR:NTD	589	31.26	18,413

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 (loss) profit after tax for the nine-month periods ended September 30, 2023 and 2022 would increase/decrease by \$4,375 and \$3,869, respectively.

(vi) The total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2023 and 2022 amounted to \$20,539, \$33,823, \$36,907 and \$62,622, respectively.

II. Price risk

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

III. Cash flow and fair value interest rate risk

(i) The Group's main interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. However, partial interest rate risk is offset by cash and cash equivalents held at variable rates. For the nine-month periods ended September 30, 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 nine-month periods ended September 30, 2023 and 2022 would have decreased/increased by \$1,312 and \$766, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

II. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored.

III. The Group manages its credit risk, whereby if the contract payments are past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition and the impairment is assessed when the contract payments are past due over certain days.

- IV. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of September 30, 2023, December 31, 2022 and September 30, 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:

	For the nine-month periods ended September 30,	
	2023	2022
	Accounts receivable	Accounts receivable
At January 1	\$ 16,325	\$ 15,941
Provision for impairment	470	19
Effect of foreign exchange	75	400
At September 30	<u>\$ 16,870</u>	<u>\$ 16,360</u>

(c) Liquidity risk

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

III. The Group has the following undrawn borrowing facilities:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Floating rate:			
Expiring within one year	\$ 914,050	\$ 875,000	\$ 875,200
Expiring beyond one year	<u>2,604,775</u>	<u>2,620,000</u>	<u>2,760,000</u>
	<u>\$ 3,518,825</u>	<u>\$ 3,495,000</u>	<u>\$ 3,635,200</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>September 30, 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	\$ 286,671	\$ -	\$ -	\$ -
Notes payable	64,472	-	-	-
Accounts payable	26,577	-	-	-
Other payables	141,083	-	-	-
Lease liability	5,126	5,126	15,378	73,042
Long-term borrowings (including current portion)	224,420	358,694	420,161	-
<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>September 30, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 275,960	\$ -	\$ -	\$ -
Notes payable	137,934	-	-	-
Accounts payable	63,553	-	-	-
Other payables	198,472	-	-	-
Lease liability	7,970	7,970	23,909	113,569
Long-term borrowings (including current portion)	100,380	196,490	352,971	76,319

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

(3) Fair value information

A. As of September 30, 2023, December 31, 2022 and September 30, 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 nine-month period ended September 30, 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) Information about segment profit or loss, assets and liabilities

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

	For the nine-month period ended September 30, 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	\$ 617,176	\$ 96,198	\$ 297,326	\$ 149,379	\$ 8,288	\$ 1,168,367
Inter-segment revenue	321,374	-	308	-	8,288	329,970
External revenue	295,802	96,198	297,018	149,379	-	838,397
Interest income	2,766	1,144	2	308	33	4,253
Depreciation and amortization	53,444	124	1,939	1,501	2,492	59,500
Capital expenditures	66,840	-	5,454	310	-	72,604
Interest expense	12,153	-	439	-	1,841	14,433
Segment pre-tax income	131,355	4,493	24,536	18,133	1,857	180,374
Segment assets	3,203,299	189,991	252,820	133,669	212,866	3,992,645
Segment liabilities	1,397,994	2,588	129,749	3,311	89,351	1,622,993

For the nine-month period ended September 30, 2022

	<u>CHIEFTEK</u> <u>PRECISION</u>	<u>Chieftek</u> <u>(Kunshan)</u>	<u>cpc Europa</u>	<u>cpc USA</u>	<u>Others</u>	<u>Total</u>
Segment revenue	\$ 1,112,598	\$ 216,447	\$ 345,630	\$ 176,451	\$ 7,852	\$ 1,858,978
Inter-segment revenue	582,997	-	1,748	-	7,852	592,597
External revenue	529,601	216,447	343,882	176,451	-	1,266,381
Interest income	188	1,459	-	65	30	1,742
Depreciation and amortization	59,636	130	1,127	950	2,362	64,205
Capital expenditures	107,357	96	28,372	448	-	136,273
Interest expense	9,544	-	-	-	1,805	11,349
Segment pre-tax income	316,701	18,420	26,288	30,393	1,721	393,523
Segment assets	3,186,164	323,149	245,585	120,251	208,437	4,083,586
Segment liabilities	1,456,290	10,065	43,318	4,173	90,559	1,604,405

(3) Reconciliation for segment income

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

	For the nine-month periods ended September 30,	
	2023	2022
Reportable segments pre-tax income	\$ 178,517	\$ 391,802
Other segments pre-tax gain	1,857	1,721
Inter segments gain	(35,654)	(57,555)
Profit before income tax	\$ 144,720	\$ 335,968

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the nine-month period ended September 30, 2023

Table 1

Expressed in thousands of NTD

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount during the period	Outstanding endorsement/ guarantee amount at September 30, 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
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	\$ 1,184,826	\$ 190,905	\$ 186,505	\$ 101,730	\$ -	8%	\$ 1,184,826	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 endorsement is 50% of the Company's net worth, and the limit for a single party is 20% of the Company's paid-in capital. However, the limitation is not applied to subsidiaries that the Company owns directly or indirectly more than 50% 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.

(Note 4) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:32.27) as of September 30, 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 nine-month period ended September 30, 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 nine-month period ended September 30, 2023

Table 3

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction			Differences in transaction terms compared to third party			Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	Subsidiary	(Sales)	(\$ 162,879)	(26%)	(Note 1)	\$ -	(Note 2)	\$ 58,721	27%	—	
cpc Europa GmbH	CHIEFTEK PRECISION CO., LTD.	Parent company	Purchases	162,879	90%	(Note 1)	-	(Note 3)	(58,721)	(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 nine-month period ended September 30, 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	Sales revenue	(\$ 162,879)	180 days after monthly-closing, T/T	(19%)
				Accounts receivable	58,721	—	1%
				Endorsements and guarantees	186,505	—	5%
				Sales revenue	(66,253)	180 days after monthly-closing, T/T	(8%)
1	CHIEFTEK PRECISION USA CO., LTD.	Chieftek Machinery (Kunshan) Co., Ltd.	1	Accounts receivable	33,516	—	1%
				Sales revenue	(92,242)	180 days after monthly-closing, T/T	(11%)
				Accounts receivable	20,791	—	1%
				Rent payment	8,288	—	1%
1	CHIEFTEK PRECISION USA CO., LTD.	CHIEFTEK PRECISION INTERNATINAL LLC	3	Prepaid Expenses	2,880	—	—
				Guarantee deposits paid	1,614	—	—

(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 1:32.27) as of September 30, 2023.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

For the nine-month period ended September 30, 2023

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of September 30, 2023			Net profit (loss) of the investee for the nine-month period ended September 30, 2023	Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2023	Footnote
				Balance as of September 30, 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%	\$ 167,021	\$ 3,226	\$ 3,226	Subsidiary
	CHIEFTEK PRECISION INTERNATIONAL LLC	United States of America	Lease of real estate property	110,054	110,054	-	100%	118,982	1,585	1,585	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%	101,188	10,685	10,685	Subsidiary
	cpc Europa GmbH	Germany	Sales of high precision linear motion components and rendering after-sale services	98,695	98,695	-	100%	64,351	20,158	20,158	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 1:32.27) as of September 30, 2023.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Basic information

For the nine-month period ended September 30, 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 nine-month period ended September 30, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2023	Net income of investee for the nine-month period ended September 30, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2023 (Note 2)	Book value of investments in Mainland China as of September 30, 2023	Accumulated amount of investment income remitted back to Taiwan as of September 30, 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	\$ 164,577	Note 1	\$ 164,577	\$ -	\$ -	\$ 164,577	\$ 3,232	100%	\$ 3,232	\$ 178,435	\$ 258,373	—

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 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.	\$ 164,577	\$ 164,577	\$ 1,421,791

(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 nine-month period ended September 30, 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 1:32.27) as of September 30, 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 nine-month period ended September 30, 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 nine-month period ended September 30, 2023	Others
	Amount	%	Amount	%	Balance at September 30, 2023	%	Balance at September 30, 2023	Purpose	Maximum balance during the nine-month period ended September 30, 2023	Balance at September 30, 2023	Interest rate		
Chieftek Machinery (Kunshan) Co., Ltd	\$ 92,242	11%	\$ -	-	\$ 20,791	1%	\$ -	-	\$ -	\$ -	-	\$ -	\$ -

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Major shareholders information

September 30, 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.		4,964,100	5.56%

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.