

**CHIEFTEK PRECISION CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2024 AND 2023**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of CHIEFTEK PRECISION CO., LTD. and subsidiaries (the "Group") as of March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of material 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\$329,588 thousand and NT\$299,065 thousand, constituting 8% and 7% of the consolidated total assets, and total liabilities of NT\$91,547 thousand and NT\$88,709 thousand, both constituting 5% of the consolidated total liabilities as of March 31, 2024 and 2023, respectively, and total comprehensive income of NT\$9,529 thousand and NT\$5,700 thousand, constituting 19% and 15% of the consolidated total comprehensive income for the three-month periods then ended, respectively.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent auditors as described in the Basis for qualified conclusion section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission.

Independent Auditors

Yeh, Fang-Ting

Tien, Chung-Yu

PricewaterhouseCoopers, Taiwan

Republic of China

May 7, 2024

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

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	March 31, 2024		December 31, 2023		(As amended) March 31, 2023		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 811,222	20	\$ 834,093	21	\$ 1,018,049	25
1136	Financial assets at amortized cost -	6(2) and 8						
	current		33,878	1	32,639	1	16,692	-
1150	Notes receivable, net	6(3)	10,237	-	15,656	-	13,319	-
1170	Accounts receivable, net	6(3) and 12	255,277	6	224,709	6	268,010	7
1200	Other receivables		4,572	-	2,960	-	6,647	-
1220	Current income tax assets	6(22)	10,893	-	-	-	92	-
130X	Inventories	6(4)	632,004	16	647,192	16	648,175	16
1410	Prepayments		60,788	2	57,739	2	54,267	1
11XX	Total current assets		<u>1,818,871</u>	<u>45</u>	<u>1,814,988</u>	<u>46</u>	<u>2,025,251</u>	<u>49</u>
Non-current assets								
1600	Property, plant and equipment	6(5) and 8	1,963,757	49	1,942,263	49	1,901,435	46
1755	Right-of-use assets	6(6)	84,964	2	77,470	2	80,698	2
1780	Intangible assets	6(7)	61,087	2	63,322	2	68,823	2
1840	Deferred income tax assets	6(22)	33,631	1	34,967	1	34,271	1
1915	Prepayments for equipment	6(5)	22,149	1	7,377	-	13,475	-
1920	Guarantee deposits paid		11,338	-	12,099	-	12,075	-
1990	Other non-current assets		4,858	-	2,498	-	5,119	-
15XX	Total non-current assets		<u>2,181,784</u>	<u>55</u>	<u>2,139,996</u>	<u>54</u>	<u>2,115,896</u>	<u>51</u>
1XXX	Total assets		<u>\$ 4,000,655</u>	<u>100</u>	<u>\$ 3,954,984</u>	<u>100</u>	<u>\$ 4,141,147</u>	<u>100</u>

(Continued)

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2024, DECEMBER 31, 2023 AND MARCH 31, 2023
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	March 31, 2024		December 31, 2023		(As amended) March 31, 2023		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Liabilities								
Current liabilities								
2100	Short-term borrowings	6(8) and 8	\$ 235,000	6	\$ 365,000	9	\$ 325,000	8
2130	Current contract liabilities	6(15)	244	-	440	-	462	-
2150	Notes payable		34,852	1	41,913	1	91,746	2
2170	Accounts payable		35,631	1	17,975	1	35,182	1
2200	Other payables	6(9)	175,830	4	112,141	3	316,723	8
2230	Current income tax liabilities	6(22)	29,315	1	29,880	1	88,844	2
2280	Current lease liabilities	6(6)	4,079	-	3,674	-	3,625	-
2320	Long-term liabilities, current portion	6(10), 8 and 9	118,422	3	81,259	2	186,039	4
21XX	Total current liabilities		<u>633,373</u>	<u>16</u>	<u>652,282</u>	<u>17</u>	<u>1,047,621</u>	<u>25</u>
Non-current liabilities								
2540	Long-term borrowings	6(10), 8 and 9	919,574	23	846,915	21	689,460	17
2570	Deferred income tax liabilities	6(22)	28,551	1	24,505	1	30,098	1
2580	Non-current lease liabilities	6(6)	86,039	2	78,778	2	81,540	2
2640	Net defined benefit liabilities	6(11)	8,846	-	8,936	-	5,866	-
25XX	Total non-current liabilities		<u>1,043,010</u>	<u>26</u>	<u>959,134</u>	<u>24</u>	<u>806,964</u>	<u>20</u>
2XXX	Total liabilities		<u>1,676,383</u>	<u>42</u>	<u>1,611,416</u>	<u>41</u>	<u>1,854,585</u>	<u>45</u>
Equity								
Share capital								
3110	Common stock	6(12)	892,619	22	892,619	23	892,619	22
Capital reserves								
3200	Capital surplus	6(13)	446,121	11	446,121	11	446,121	11
Retained earnings								
3310	Legal reserve	6(14)	247,879	6	247,879	6	213,096	5
3320	Special reserve		24,491	1	24,491	1	50,626	1
3350	Unappropriated retained earnings		871,083	22	905,089	23	855,452	21
3400	Other equity interest		(10,351)	-	(25,061)	(1)	(23,782)	(1)
3500	Treasury stocks	6(12)	(147,570)	(4)	(147,570)	(4)	(147,570)	(4)
3XXX	Total equity		<u>2,324,272</u>	<u>58</u>	<u>2,343,568</u>	<u>59</u>	<u>2,286,562</u>	<u>55</u>
Significant Contingent Liabilities and 6(6) and 9								
Unrecognized Contract Commitments								
3X2X	Total liabilities and equity		<u>\$ 4,000,655</u>	<u>100</u>	<u>\$ 3,954,984</u>	<u>100</u>	<u>\$ 4,141,147</u>	<u>100</u>

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	Three months ended March 31				
		2024		2023		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(15)	\$ 254,039	100	\$ 307,263	100
5000	Operating costs	6(4)(11)(20)(21)	(153,182)	(60)	(176,077)	(57)
5900	Net operating margin		<u>100,857</u>	<u>40</u>	<u>131,186</u>	<u>43</u>
	Operating expenses	6(7)(11)(20)(21) and 7				
6100	Selling expenses		(22,562)	(9)	(27,792)	(9)
6200	General and administrative expenses		(36,599)	(14)	(37,723)	(12)
6300	Research and development expenses		(16,904)	(7)	(20,422)	(7)
6450	Expected credit impairment loss	12	(1,988)	(1)	(558)	-
6000	Total operating expenses		(78,053)	(31)	(86,495)	(28)
6900	Operating profit		<u>22,804</u>	<u>9</u>	<u>44,691</u>	<u>15</u>
	Non-operating income and expenses					
7100	Interest income	6(2)(16)	1,354	1	578	-
7010	Other income	6(17)	5,582	2	3,607	1
7020	Other gains and losses	6(18) and 12	18,113	7	1,346	1
7050	Finance costs	6(5)(6)(19)	(7,087)	(3)	(2,294)	(1)
7000	Total non-operating income and expenses		<u>17,962</u>	<u>7</u>	<u>3,237</u>	<u>1</u>
7900	Profit before income tax		<u>40,766</u>	<u>16</u>	<u>47,928</u>	<u>16</u>
7950	Income tax expense	6(22)	(4,963)	(2)	(10,781)	(4)
8200	Profit for the period		<u>\$ 35,803</u>	<u>14</u>	<u>\$ 37,147</u>	<u>12</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		\$ 14,710	6	\$ 709	-
8300	Total other comprehensive income for the period		<u>\$ 14,710</u>	<u>6</u>	<u>\$ 709</u>	<u>-</u>
8500	Total comprehensive income for the period		<u>\$ 50,513</u>	<u>20</u>	<u>\$ 37,856</u>	<u>12</u>
	Earnings per share (in dollars)	6(23)				
9750	Basic		\$ 0.41		\$ 0.43	
9850	Diluted		\$ 0.41		\$ 0.43	

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital reserve	Retained Earnings			Other Equity	Treasury stocks	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Interest Financial statements translation differences of foreign operations		
<u>For the three-month period ended</u>									
<u>March 31, 2023</u>									
Balance at January 1, 2023		\$ 892,619	\$ 446,121	\$ 213,096	\$ 50,626	\$ 992,829	(\$ 24,491)	(\$ 147,570)	\$ 2,423,230
Profit for the period		-	-	-	-	37,147	-	-	37,147
Other comprehensive income for the period		-	-	-	-	-	709	-	709
Total comprehensive income for the period		-	-	-	-	37,147	709	-	37,856
Appropriation of 2022 earnings									
Cash dividends	6(14)	-	-	-	-	(174,524)	-	-	(174,524)
Balance at March 31, 2023		<u>\$ 892,619</u>	<u>\$ 446,121</u>	<u>\$ 213,096</u>	<u>\$ 50,626</u>	<u>\$ 855,452</u>	<u>(\$ 23,782)</u>	<u>(\$ 147,570)</u>	<u>\$ 2,286,562</u>
<u>For the three-month period ended</u>									
<u>March 31, 2024</u>									
Balance at January 1, 2024		\$ 892,619	\$ 446,121	\$ 247,879	\$ 24,491	\$ 905,089	(\$ 25,061)	(\$ 147,570)	\$ 2,343,568
Profit for the period		-	-	-	-	35,803	-	-	35,803
Other comprehensive income for the period		-	-	-	-	-	14,710	-	14,710
Total comprehensive income for the period		-	-	-	-	35,803	14,710	-	50,513
Appropriation of 2023 earnings									
Cash dividends	6(14)	-	-	-	-	(69,809)	-	-	(69,809)
Balance at March 31, 2024		<u>\$ 892,619</u>	<u>\$ 446,121</u>	<u>\$ 247,879</u>	<u>\$ 24,491</u>	<u>\$ 871,083</u>	<u>(\$ 10,351)</u>	<u>(\$ 147,570)</u>	<u>\$ 2,324,272</u>

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	For the three-month periods ended March 31	
		2024	2023 (As amended)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 40,766	\$ 47,928
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12	1,988	558
Loss on (reversal of) inventory market price decline	6(4)	3,781	(828)
Depreciation	6(5)(6)(20)	14,498	18,703
Amortization	6(7)(20)	2,542	2,509
Interest income	6(16)	(1,354)	(578)
Interest expense	6(19)	7,087	2,294
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		5,419	611
Accounts receivable		(32,926)	13,132
Other receivables		(1,612)	(1,378)
Inventories		10,657	(11,937)
Prepayments		(3,049)	1,528
Changes in operating liabilities			
Current contract liabilities		(196)	(202)
Notes payable		(6,211)	47,260
Accounts payable		17,656	(11,343)
Other payables		(5,021)	(26,140)
Net defined benefit liabilities		(90)	(79)
Cash inflow (outflow) generated from operations		53,935	(12,482)
Interest received		1,354	578
Interest paid		(7,732)	(2,039)
Income tax paid		(11,039)	(10,311)
Net cash flows from (used in) operating activities		<u>36,518</u>	<u>(24,254)</u>

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CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	For the three-month periods ended March 31	
		2024	2023 (As amended)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in financial assets at amortized cost - current		(\$ 1,239)	\$ 54
Cash paid for acquisition of property, plant and equipment	6(24)	(24,696)	(58,323)
Interest paid for acquisition of property, plant and equipment	6(5)(19)(24)	-	(3,114)
Acquisition of intangible assets	6(7)	(292)	(254)
Increase in prepayments for equipment		(18,843)	(9,337)
Decrease (increase) in guarantee deposits paid		761	(2,724)
Increase in other non-current assets		(2,360)	(1,624)
Net cash flows used in investing activities		(46,669)	(75,322)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(25)	110,000	150,000
Decrease in short-term borrowings	6(25)	(240,000)	(50,000)
Payments of lease liability	6(25)	(944)	(896)
Increase in long-term borrowings	6(25)	501,708	100,000
Decrease in long-term borrowings	6(25)	(397,166)	(6,924)
Net cash flows (used in) from financing activities		(26,402)	192,180
Effect of foreign exchange rate changes on cash and cash equivalents		13,682	1,227
Net (decrease) increase in cash and cash equivalents		(22,871)	93,831
Cash and cash equivalents at beginning of period	6(1)	834,093	924,218
Cash and cash equivalents at end of period	6(1)	\$ 811,222	\$ 1,018,049

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(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 May 7, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

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

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

None.

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by IASB
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
IFRS 18, ‘Presentation and disclosure in financial statements’	January 1, 2027
Amendments to IAS 21, ‘Lack of exchangeability’	January 1, 2025

Except for IFRS 18, ‘Presentation and disclosure in financial statements’, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

IFRS 18, ‘Presentation and disclosure in financial statements’:

IFRS 18, ‘Presentation and disclosure in financial statements’ replaces IAS 1. The standard introduces a defined structure of the statement of profit or loss, disclosure requirements related to management-defined performance measures, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

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, 2023, 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, 2023.

(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, 2023.

- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
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
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
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH ("cpc Europa")	Sales of high precision linear motion components and rendering after-sales service	100	100	100	-

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
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	-

Note: The financial statements of the entity as of and for the three-month periods ended March 31, 2024 and 2023 were not reviewed by independent auditors as the entity did not meet the definition of a significant subsidiary.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interest that are material to the Group: None.

(4) Employee benefits

A. Short-term employee benefits

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

B. Pensions

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

C. Employees' compensation and directors' remuneration

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

(5) Income tax

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

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

There have been no significant changes as of March 31, 2024. Refer to Note 5 in the consolidated financial statements for the year ended December 31, 2023.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>(As amended) March 31, 2023</u>
Cash:			
Cash on hand	\$ 1,181	\$ 1,506	\$ 1,621
Demand deposits of repatriating offshore funds (Note)	-	-	59,555
Checking accounts and demand deposits	<u>808,578</u>	<u>769,734</u>	<u>909,498</u>
	<u>809,759</u>	<u>771,240</u>	<u>970,674</u>
Cash Equivalents:			
Time deposits	<u>1,463</u>	<u>62,853</u>	<u>47,375</u>
	<u>\$ 811,222</u>	<u>\$ 834,093</u>	<u>\$ 1,018,049</u>

Note: Refer to Note 6(2), 'Financial assets at amortized cost - current'.

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

B. The Group has no cash and cash equivalents pledged to others as of March 31, 2024, December 31, 2023 and March 31, 2023.

(2) Financial assets at amortized cost - current

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>(As amended) March 31, 2023</u>
Restricted time deposits	\$ 8,700	\$ 8,700	\$ 8,700
Time deposits with maturity of over 3 months	<u>25,178</u>	<u>23,939</u>	<u>7,992</u>
	<u>\$ 33,878</u>	<u>\$ 32,639</u>	<u>\$ 16,692</u>

- A. In accordance with the revised regulations of IFRS FAQ issued by the Financial Supervisory Commission on January 5, 2024, the Group reclassified the undrawn balances of \$59,555 and \$60,064 in the repatriated capital special account which were applicable to “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” on March 31, 2023 and January 1, 2023 to cash and cash equivalents. As of March 31, 2023, cash and cash equivalents and financial assets at amortized cost - current were \$958,494 and \$1,018,049 before the adjustments and \$76,247 and \$16,692 after the adjustments, respectively; in the Group’s statements of cash flows for the three-month period ended March 31, 2023, cash flow from financial assets at amortized cost and total net cash used in investing activities were \$563 and \$54 before the adjustments and (\$74,813) and (\$75,322) after the adjustments, respectively.
- B. The Group recognized interest income of \$259 and \$45 from financial assets at amortized cost for the three-month periods ended March 31, 2024 and 2023, respectively, shown as part of “Interest income”.
- C. As of March 31, 2024, December 31, 2023 and March 31, 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group was its book value.
- D. For more information about the Group’s time deposits pledged to others as collateral as of March 31, 2024, December 31, 2023 and March 31, 2023, refer to Note 8, ‘Pledged assets’.
- E. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2), ‘Financial instruments’. The counterparties of the Group’s investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable, net

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Notes receivable	\$ <u>10,237</u>	\$ <u>15,656</u>	\$ <u>13,319</u>
	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Accounts receivable	\$ 277,766	\$ 244,840	\$ 285,002
Less: Allowance for doubtful accounts	(<u>22,489</u>)	(<u>20,131</u>)	(<u>16,992</u>)
	<u>\$ 255,277</u>	<u>\$ 224,709</u>	<u>\$ 268,010</u>

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

	March 31, 2024		December 31, 2023		March 31, 2023	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ 9,335	\$ 195,281	\$ 15,483	\$ 178,761	\$ 12,375	\$ 192,296
Up to 30 days	726	19,245	-	12,914	-	24,359
31 to 90 days	-	31,410	-	24,592	-	27,255
91 to 180 days	-	12,703	-	10,969	767	24,151
181 to 365 days	-	5,679	-	4,183	-	2,430
Over 365 days	176	13,448	173	13,421	177	14,511
	<u>\$ 10,237</u>	<u>\$ 277,766</u>	<u>\$ 15,656</u>	<u>\$ 244,840</u>	<u>\$ 13,319</u>	<u>\$ 285,002</u>

The above ageing analysis was based on past due date.

B. The Group's notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2023, the balances of notes receivable and accounts receivable from contracts with customers amounted to \$312,064.

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

D. As of March 31, 2024, December 31, 2023 and March 31, 2023, the Group does not hold any collateral as security for accounts receivable.

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

(4) Inventories

	March 31, 2024		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 55,265	(\$ 4,729)	\$ 50,536
Supplies	73,848	(19,325)	54,523
Work in process	316,930	(25,808)	291,122
Finished goods	270,904	(35,081)	235,823
	<u>\$ 716,947</u>	<u>(\$ 84,943)</u>	<u>\$ 632,004</u>

	December 31, 2023		
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 46,872	(\$ 5,300)	\$ 41,572
Supplies	74,862	(18,712)	56,150
Work in process	317,360	(23,261)	294,099
Finished goods	288,510	(33,139)	255,371
	<u>\$ 727,604</u>	<u>(\$ 80,412)</u>	<u>\$ 647,192</u>

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

The cost of inventories recognized as expense for the period:

	For the three-month periods ended March 31,	
	2024	2023
Cost of goods sold	\$ 149,611	\$ 177,428
Loss (reversal of allowance) on inventory market price decline (Note)	3,781 (828)
Gain on physical inventory	(121) (218)
Revenue from sale of scraps	(89) (305)
	<u>\$ 153,182</u>	<u>\$ 176,077</u>

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

(5) Property, plant and equipment

		Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements and other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>At January 1, 2024</u>								
Cost	\$ 401,691	\$ 773,878	\$ 965,344	\$ 4,535	\$ 24,710	\$ 179,440	\$ 922,224	\$ 3,271,822
Accumulated depreciation	-	(234,967)	(900,786)	(3,836)	(23,144)	(166,826)	-	(1,329,559)
	<u>\$ 401,691</u>	<u>\$ 538,911</u>	<u>\$ 64,558</u>	<u>\$ 699</u>	<u>\$ 1,566</u>	<u>\$ 12,614</u>	<u>\$ 922,224</u>	<u>\$ 1,942,263</u>
<u>Three-month period ended March 31, 2024</u>								
At January 1, 2024	\$ 401,691	\$ 538,911	\$ 64,558	\$ 699	\$ 1,566	\$ 12,614	\$ 922,224	\$ 1,942,263
Additions	-	5,005	1,034	-	258	288	16,807	23,392
Transferred from prepayments for equipment	-	-	-	-	-	-	4,071	4,071
Transferred after acceptance inspection	-	43,732	156	-	-	110	(43,998)	-
Depreciation	-	(5,682)	(5,692)	(99)	(317)	(1,592)	-	(13,382)
Disposals – Cost	-	-	-	(133)	(120)	(19)	-	(272)
– Accumulated depreciation	-	-	-	133	120	19	-	272
Net currency exchange differences	2,718	4,552	112	4	10	17	-	7,413
At March 31, 2024	<u>\$ 404,409</u>	<u>\$ 586,518</u>	<u>\$ 60,168</u>	<u>\$ 604</u>	<u>\$ 1,517</u>	<u>\$ 11,437</u>	<u>\$ 899,104</u>	<u>\$ 1,963,757</u>
<u>At March 31, 2024</u>								
Cost	\$ 404,409	\$ 828,757	\$ 967,215	\$ 4,428	\$ 25,007	\$ 179,904	\$ 899,104	\$ 3,308,824
Accumulated depreciation	-	(242,239)	(907,047)	(3,824)	(23,490)	(168,467)	-	(1,345,067)
	<u>\$ 404,409</u>	<u>\$ 586,518</u>	<u>\$ 60,168</u>	<u>\$ 604</u>	<u>\$ 1,517</u>	<u>\$ 11,437</u>	<u>\$ 899,104</u>	<u>\$ 1,963,757</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, 2023</u>								
Cost	\$ 399,025	\$ 766,458	\$ 967,522	\$ 4,386	\$ 23,461	\$ 177,643	\$ 816,430	\$ 3,154,925
Accumulated depreciation	-	(211,231)	(896,856)	(3,278)	(21,432)	(160,390)	-	(1,293,187)
	<u>\$ 399,025</u>	<u>\$ 555,227</u>	<u>\$ 70,666</u>	<u>\$ 1,108</u>	<u>\$ 2,029</u>	<u>\$ 17,253</u>	<u>\$ 816,430</u>	<u>\$ 1,861,738</u>
<u>Three-month period ended March 31, 2023</u>								
At January 1, 2023	\$ 399,025	\$ 555,227	\$ 70,666	\$ 1,108	\$ 2,029	\$ 17,253	\$ 816,430	\$ 1,861,738
Additions	-	976	5,188	146	562	123	36,123	43,118
Transferred from prepayments for equipment	-	-	-	-	-	-	15,122	15,122
Transferred after acceptance inspection	-	1,504	12,344	-	-	291	(14,139)	-
Depreciation	-	(6,029)	(7,675)	(157)	(986)	(2,781)	-	(17,628)
Disposals — Cost	-	(1,232)	(23,824)	-	(12)	(1,399)	-	(26,467)
— Accumulated depreciation	-	1,232	23,824	-	12	1,399	-	26,467
Net currency exchange differences	(91)	(955)	116	4	(7)	18	-	(915)
At March 31, 2023	<u>\$ 398,934</u>	<u>\$ 550,723</u>	<u>\$ 80,639</u>	<u>\$ 1,101</u>	<u>\$ 1,598</u>	<u>\$ 14,904</u>	<u>\$ 853,536</u>	<u>\$ 1,901,435</u>
<u>At March 31, 2023</u>								
Cost	\$ 398,934	\$ 766,496	\$ 961,483	\$ 4,545	\$ 24,035	\$ 176,722	\$ 853,536	\$ 3,185,751
Accumulated depreciation	-	(215,773)	(880,844)	(3,444)	(22,437)	(161,818)	-	(1,284,316)
	<u>\$ 398,934</u>	<u>\$ 550,723</u>	<u>\$ 80,639</u>	<u>\$ 1,101</u>	<u>\$ 1,598</u>	<u>\$ 14,904</u>	<u>\$ 853,536</u>	<u>\$ 1,901,435</u>

A. Property, plant and equipment of the Group were all for operating purposes as of March 31, 2024, December 31, 2023 and March 31, 2023.

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 three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Amount capitalized	\$ -	\$ 3,114
Interest rate for capitalization	—	1.63%

C. Information about the property, plant and equipment that were pledged to others as collateral as of March 31, 2024, December 31, 2023 and March 31, 2023 is provided in Note 8, ‘Pledged assets’.

(6) Leasing arrangements – lessee

A. The Group leases land in Southern Taiwan Science Park Bureau of the Ministry of Science and Technology. Rental contracts are typically made for a period of 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

Carrying amount:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Land	\$ 84,964	\$ 77,470	\$ 80,698

Depreciation charge:

	<u>For the three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Land	\$ 1,116	\$ 1,075

C. For the three-month periods ended March 31, 2024 and 2023, there were no additions to right-of-use assets; revaluations to right-of-use assets were \$8,610 and (\$42,140), respectively.

D. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 382	\$ 385
Expense on short-term lease contracts	\$ 3,403	\$ 2,827

E. For the three-month periods ended March 31, 2024 and 2023, the Group’s total cash outflow for leases were \$4,729 and \$4,108, respectively.

(7) Intangible assets

	Trademarks	Patents	Software	Turn-key professional technique	Others	Total
<u>At January 1, 2024</u>						
Cost	\$ 685	\$ 12,981	\$ 14,885	\$ 90,718	\$ 60,000	\$ 179,269
Accumulated amortization	(595)	(5,899)	(13,166)	(36,287)	(13,500)	(69,447)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	<u>\$ 90</u>	<u>\$ 7,082</u>	<u>\$ 1,719</u>	<u>\$ 54,431</u>	<u>\$ -</u>	<u>\$ 63,322</u>
<u>Three-month period ended March 31, 2024</u>						
Net value at January 1, 2024	\$ 90	\$ 7,082	\$ 1,719	\$ 54,431	\$ -	\$ 63,322
Additions – acquired separately	-	292	-	-	-	292
Amortization	(3)	(187)	(84)	(2,268)	-	(2,542)
Net currency exchange differences	-	-	15	-	-	15
Net value at March 31, 2024	<u>\$ 87</u>	<u>\$ 7,187</u>	<u>\$ 1,650</u>	<u>\$ 52,163</u>	<u>\$ -</u>	<u>\$ 61,087</u>
<u>At March 31, 2024</u>						
Cost	\$ 685	\$ 13,273	\$ 14,934	\$ 90,718	\$ 60,000	\$ 179,610
Accumulated amortization	(598)	(6,086)	(13,284)	(38,555)	(13,500)	(72,023)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	<u>\$ 87</u>	<u>\$ 7,187</u>	<u>\$ 1,650</u>	<u>\$ 52,163</u>	<u>\$ -</u>	<u>\$ 61,087</u>

	Trademarks	Patents	Software	Turn-key professional technique	Others	Total
<u>At January 1, 2023</u>						
Cost	\$ 685	\$ 12,103	\$ 13,336	\$ 90,718	\$ 60,000	\$ 176,842
Accumulated amortization	(584)	(5,144)	(12,820)	(27,216)	(13,500)	(59,264)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	<u>\$ 101</u>	<u>\$ 6,959</u>	<u>\$ 516</u>	<u>\$ 63,502</u>	<u>\$ -</u>	<u>\$ 71,078</u>
<u>Three-month period ended March 31, 2023</u>						
Net value at January 1, 2023	\$ 101	\$ 6,959	\$ 516	\$ 63,502	\$ -	\$ 71,078
Additions — acquired separately	-	254	-	-	-	254
Amortization	(3)	(184)	(55)	(2,267)	-	(2,509)
Net value at March 31, 2023	<u>\$ 98</u>	<u>\$ 7,029</u>	<u>\$ 461</u>	<u>\$ 61,235</u>	<u>\$ -</u>	<u>\$ 68,823</u>
<u>At March 31, 2023</u>						
Cost	\$ 685	\$ 12,357	\$ 13,366	\$ 90,718	\$ 60,000	\$ 177,126
Accumulated amortization	(587)	(5,328)	(12,905)	(29,483)	(13,500)	(61,803)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	<u>\$ 98</u>	<u>\$ 7,029</u>	<u>\$ 461</u>	<u>\$ 61,235</u>	<u>\$ -</u>	<u>\$ 68,823</u>

A. For the three-month periods ended March 31, 2024 and 2023, no borrowing costs were capitalized as part of intangible assets.

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

	For the three-month periods ended March 31,	
	2024	2023
General and administrative expenses	\$ 9	\$ -
Research and development expenses	2,533	2,509
	<u>\$ 2,542</u>	<u>\$ 2,509</u>

(8) Short-term borrowings

Nature	March 31, 2024	Interest rate range	Collateral
Bank secured borrowings	\$ 30,000	1.81%	Buildings and structures
Bank unsecured borrowings	205,000	1.37%~1.62%	None
	<u>\$ 235,000</u>		

Nature	December 31, 2023	Interest rate range	Collateral
Bank secured borrowings	\$ 30,000	1.81%	Buildings and structures
Bank unsecured borrowings	335,000	1.35%~1.88%	None
	<u>\$ 365,000</u>		

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

For more information about interest expense recognized by the Group for the three-month periods ended March 31, 2024 and 2023, refer to Note 6(19), 'Finance costs'.

(9) Other payables

	March 31, 2024	December 31, 2023	March 31, 2023
Dividends payable	\$ 69,809	\$ -	\$ 174,524
Accrued salaries and bonuses	44,515	55,594	51,456
Employees' compensation and directors' remuneration payable	16,853	13,478	25,679
Equipment payable	3,663	4,117	7,577
Miscellaneous payable	3,272	3,423	5,992
Others	37,718	35,529	51,495
	<u>\$ 175,830</u>	<u>\$ 112,141</u>	<u>\$ 316,723</u>

(10) Long-term borrowings

<u>Nature</u>	<u>Expiry date</u>	<u>March 31, 2024</u>	<u>Interest rate range</u>	<u>Collateral</u>
Long-term bank borrowings				
Secured borrowings	May 15, 2027~ February 15, 2031	\$ 762,217	1.69%~ 2.81%	Land, buildings and structures
Unsecured borrowings	February 25, 2025~ February 19, 2029	<u>275,779</u>	1.89%~ 4.43%	None
		1,037,996		
Less: Current portion		(<u>118,422</u>)		
		<u>\$ 919,574</u>		

<u>Nature</u>	<u>Expiry date</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Long-term bank borrowings				
Secured borrowings	May 15, 2027~ August 25, 2028	\$ 549,388	1.73%~ 2.81%	Land, buildings and structures
Unsecured borrowings	February 25, 2025~ May 15, 2027	<u>378,786</u>	1.84%~ 4.56%	None
		928,174		
Less: Current portion		(<u>81,259</u>)		
		<u>\$ 846,915</u>		

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

For more information about interest expense recognized by the Group for the three-month periods ended March 31, 2024 and 2023, refer to Note 6(19), 'Finance costs'.

(11) Pensions

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

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

(b) No pension cost was recognized under the aforementioned defined benefit pension plan of the Company for the three-month periods ended March 31, 2024 and 2023.

(c) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to \$360.

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The other subsidiaries are subject to local government sponsored defined contribution plan. In accordance with related laws of the respective local government, the independent pension fund of employees is administered by the government. Other than the monthly contributions, these subsidiaries do not have further obligations. The pension costs under the defined contribution pension plans of the Group for the three-month periods ended March 31, 2024 and 2023 were \$3,430 and \$4,517, respectively.

(12) Share capital

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

	For the three-month periods ended March 31,	
	2024	2023
Balance at beginning and end of period	87,262	87,262

B. Treasury stocks

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

	Balance at beginning and end of the three-month periods ended March 31,	
<u>Reason for reacquisition</u>	2024	2023
To be reissued to employees	2,000	2,000

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. As of March 31, 2024, December 31, 2023 and March 31, 2023, treasury stocks purchased by the Company amounted to \$147,570.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should be reissued to the employees within 5 years from the reacquisition date and shares not reissued within the 5 year period are to be retired.
- C. As of March 31, 2024, 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. All proceeds from shares issued have been collected.

(13) Capital reserve

For the three-month periods ended March 31, 2024 and 2023	Share premium	Treasury share transactions	Others	Total
Balances at beginning and 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.

(14) Retained earnings

- A. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.
- B. According to the Company's Articles of Incorporation, the Company's dividend policy is to distribute the current year's earnings, if any, in the following order:
- (1) pay all taxes and dues;
 - (2) offset any loss of prior years;

- (3) set aside 10% as legal reserve;
- (4) set aside or reverse special reserve as required by regulations or the Competent Authority;
- (5) The appropriation of the remaining amount after deducting items (1) to (4), along with the unappropriated retained earnings of prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the shareholders' meeting. However, the distribution of dividends shall not be lower than 20% of the current year's profit after deducting items (1) to (4). In order to continually expand the scale of operations, increase competitiveness and support the Company's long-term development plans, future capital requirements and long-term financial plan, the Company's dividend policy is to distribute stock dividends and partially as cash dividends. Cash dividends shall not be less than 10% of the total dividends distributed to shareholders. The Board of Directors of the Company shall adopt a resolution by a majority of more than two-thirds of the directors present to distribute whole or a part of the distributable dividends, bonuses, capital reserves or legal reserve in the form of cash, and report to the shareholders during their meetings. The above is not subject to provisions that require shareholders' approval.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. As of March 31, 2024, the above special reserve amounted to \$24,491.

D. The Company recognized cash dividends distributed to owners amounting to \$69,809 (\$0.8 (in dollars) per share) and \$174,524 (\$2.0 (in dollars) per share) for the three-month periods ended March 31, 2024 and 2023, respectively.

(15) Operating revenue

A. The Group derives revenue from the transfer of goods at a point in time in segments. Revenue from contracts with customers is broken down by product category as follows:

	<u>For the three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Miniature linear guides	\$ 130,514	\$ 164,957
Large linear guides	90,518	129,002
Linear motor	32,737	12,851
Others	270	453
Revenue from contracts with customers	<u>\$ 254,039</u>	<u>\$ 307,263</u>

B. The Group has recognized revenue-related contract liabilities amounting to \$244, \$440, \$462 and \$664 as of March 31, 2024, December 31, 2023, March 31, 2023 and January 1, 2023, respectively. Revenue recognized that were included in the contract liability balance at the beginning of 2024 and 2023 for the three-month periods ended March 31, 2024 and 2023 were \$403 and \$452, respectively.

(16) Interest income

	<u>For the three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Interest income from bank deposits	\$ 1,095	\$ 533
Interest income from financial assets measured at amortized cost	259	45
	<u>\$ 1,354</u>	<u>\$ 578</u>

(17) Other income

	<u>For the three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Income from sales of solar energy power	\$ 4,186	\$ 335
Other income – others	1,396	3,272
	<u>\$ 5,582</u>	<u>\$ 3,607</u>

(18) Other gains and losses

	<u>For the three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Currency exchange gain	\$ 18,134	\$ 1,375
Other losses	(21)	(29)
	<u>\$ 18,113</u>	<u>\$ 1,346</u>

(19) Finance costs

	<u>For the three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Interest expense:		
Interest expense on bank borrowings	\$ 6,705	\$ 5,023
Interest expense on lease liabilities	382	385
Less: Capitalization of qualifying assets	-	(3,114)
	<u>\$ 7,087</u>	<u>\$ 2,294</u>

(20) Expenses by nature

	For the three-month period ended March 31, 2024		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expense	\$ 46,659	\$ 42,216	\$ 88,875
Depreciation	8,855	5,643	14,498
Amortization	-	2,542	2,542
	<u>\$ 55,514</u>	<u>\$ 50,401</u>	<u>\$ 105,915</u>

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

(21) Employee benefit expense

	For the three-month period ended March 31, 2024		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 37,847	\$ 37,089	\$ 74,936
Labor and health insurance expense	4,683	2,667	7,350
Pension costs	2,073	1,357	3,430
Other personnel expenses	2,056	1,103	3,159
	<u>\$ 46,659</u>	<u>\$ 42,216</u>	<u>\$ 88,875</u>

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

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 3% to 15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the three-month periods ended March 31, 2024 and 2023, the Company's employees' compensation were \$2,812 and \$2,649, respectively; while directors' remuneration were \$563 and \$530, respectively. The aforementioned amounts were recognized in salary expenses and were estimated and accrued based on the earnings of current period and the percentage specified in the Articles of Incorporation of the Company.

The employees' compensation and directors' remuneration for 2023 as resolved by the Board of Directors were \$11,048 and \$2,430, respectively. The employees' compensation and directors' remuneration for 2023 as resolved by the Board of Directors were equal to the amounts recognized in the 2023 financial statements. The employees' compensation will be distributed in the form of cash.

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

(22) Income tax

A. Income tax expense:

Components of income tax expense:

	<u>For the three-month periods ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Current income tax:		
Income tax incurred in current period	\$ 3,759	\$ 10,566
Prior year income tax over estimation	(4,178)	-
Total current income tax	<u>(419)</u>	<u>10,566</u>
Deferred income tax:		
Origination and reversal of temporary differences	<u>5,382</u>	<u>215</u>
Income tax expense	<u>\$ 4,963</u>	<u>\$ 10,781</u>

B. The Company's income tax returns through 2022 have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of May 7, 2024.

(23) Earnings per share (“EPS”)

	<u>For the three-month period ended March 31, 2024</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>\$ 35,803</u>	<u>87,262</u>	<u>\$ 0.41</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 35,803	87,262	
Assumed conversion of all dilutive potential ordinary shares Employees’ compensation	<u>-</u>	<u>102</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 35,803</u>	<u>87,364</u>	<u>\$ 0.41</u>

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

(24) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the three-month periods ended March 31,	
	2024	2023
Purchase of property, plant and equipment	\$ 23,392	\$ 43,118
Add: Opening balance of notes payable	1,487	22,828
Opening balance of payable for equipment	4,117	4,405
Less: Ending balance of notes payable	(637)	(1,337)
Ending balance of payable for equipment	(3,663)	(7,577)
Capitalization of interest	-	(3,114)
Cash paid during the period	<u>\$ 24,696</u>	<u>\$ 58,323</u>

B. Investing and financing activities with no cash flow effects

	For the three-month periods ended March 31,	
	2024	2023
(a) Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 4,071</u>	<u>\$ 15,122</u>
(b) Cash dividends appropriation	<u>\$ 69,809</u>	<u>\$ 174,524</u>

(25) Changes in liabilities from financing activities

	Short-term borrowings	Lease liability	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2024	\$ 365,000	\$ 82,452	\$ 928,174	\$ 1,375,626
Changes in cash flow from financing activities	(130,000)	(944)	104,542	(26,402)
Revaluations	-	8,610	-	8,610
Impact of changes in foreign exchange rate	-	-	5,280	5,280
At March 31, 2024	<u>\$ 235,000</u>	<u>\$ 90,118</u>	<u>\$ 1,037,996</u>	<u>\$ 1,363,114</u>
	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	100,000	(896)	93,076	192,180
Revaluations	-	(42,140)	-	(42,140)
Impact of changes in foreign exchange rate	-	-	(737)	(737)
At March 31, 2023	<u>\$ 325,000</u>	<u>\$ 85,165</u>	<u>\$ 875,499</u>	<u>\$ 1,285,664</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

None.

(2) Key management compensation

	For the three-month periods ended March 31,	
	2024	2023
Salaries and other short-term employee benefits	\$ 7,421	\$ 7,940

8. PLEDGED ASSETS

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

Asset pledged	Book value			Purpose of collateral
	March 31, 2024	December 31, 2023	March 31, 2023	
Restricted time deposits (Note 1)	\$ 8,700	\$ 8,700	\$ 8,700	Performance guarantee
Land (Note 2)	373,332	371,047	370,597	Guarantee for long-term borrowings
Buildings and structures- net(Note 2)	521,735	520,831	530,754	Guarantee for long and short-term borrowings
	<u>\$ 903,767</u>	<u>\$ 900,578</u>	<u>\$ 910,051</u>	

(Note 1) Listed as 'Financial assets at amortized cost - current'.

(Note 2) Listed as 'Property, plant and equipment'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of March 31, 2024, December 31, 2023 and March 31, 2023, the endorsements and guarantees provided by the Company to the subsidiary, cpc Europa GmbH, amounted to \$258,450, \$186,890 and \$ — , respectively, and the actual amounts drawn down were \$125,779, \$122,328 and \$ — , respectively.

(2) As of March 31, 2024, December 31, 2023 and March 31, 2023, the Group's remaining balance due for construction in progress and prepayments for equipment were \$158,338, \$164,838 and \$207,016, respectively.

(3) On January 3, 2024, the Company entered into a mid-term secured syndicated loan contract for a credit line facility of \$2,000,000 with 10 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% from 2023 to 2025; less than 200% in 2026 and 2027; less than 180% from 2028.
- (c) Tangible net value (shareholders' equity less intangible assets): At least \$1,300,000.

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

As of March 31, 2024, the Company has not violated any of the above covenants.

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

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

- (a) Current ratio (current assets/current liabilities): At least 100%.
- (b) Liability ratio (total liabilities/net equity): Less than 220% in 2020; less than 200% in 2021 and 2022; less than 180% from 2023.
- (c) Tangible net value (shareholders' equity less intangible assets): At least \$1,000,000.

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

As of March 31, 2023, the Company has not violated any of the above covenants.

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

(i) The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries denominated in various functional currency, primarily with respect to USD, EUR and JPY. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

(ii) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.

(iii) The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, as the objective of the net investments in foreign operations is for strategic purposes, the Group does not hedge the investments.

(iv) The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD, the subsidiaries' functional currency: USD, EUR and CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	March 31, 2024		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 6,953	32.00	\$ 222,490
JPY:NTD	15,160	0.2115	3,206
EUR:NTD	2,415	34.46	83,214
<u>Financial liabilities</u>			
<u>Monetary items</u>			
EUR:NTD	720	34.46	24,895

	December 31, 2023		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 11,553	30.705	\$ 354,749
JPY:NTD	126,745	0.2172	27,529
EUR:NTD	1,537	33.98	52,225
<u>Financial liabilities</u>			
<u>Monetary items</u>			
EUR:NTD	313	33.98	10,760

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

Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If the exchange rate of NTD to other currencies had appreciated/depreciated by 1% with all other factors remaining constant, the Group's net profit after tax for the three-month periods ended March 31, 2024 and 2023 would increase/decrease by \$2,272 and \$4,603, respectively.

(v) The total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2024 and 2023 amounted to \$18,134 and \$1,375, respectively.

II. Price risk

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

III. Cash flow and fair value interest rate risk

(i) The Group's main interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. However, partial interest rate risk is offset by cash and cash equivalents held at variable rates. For the three-month periods ended March 31, 2024 and 2023, 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 three-month periods ended March 31, 2024 and 2023 would have decreased/increased by \$536 and \$402, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

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

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

III. The Group manages its credit risk, whereby if the contract payments are past due over based on the terms, there has been a significant increase in credit risk on that instrument. If the contract payment are past due over 365 days based on the terms, the default has occurred.

- IV. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of March 31, 2024, December 31, 2023 and March 31, 2023, 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. For the three-month periods ended March 31, 2024 and 2023, the Group's expected credit loss ranges from 0.03% to 36.78%, 100% and 0.02% to 27.01%, 100%, respectively; while loss allowance for accounts receivable amounted to \$7,103, \$15,386 and \$2,481, \$14,511, respectively.
- VI. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	For the three-month periods ended March 31,	
	2024	2023
	Accounts receivable	Accounts receivable
At January 1	\$ 20,131	\$ 16,325
Provision for impairment	1,988	558
Effect of foreign exchange	370	109
At March 31	<u>\$ 22,489</u>	<u>\$ 16,992</u>

(c) Liquidity risk

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

III. The Group has the following undrawn borrowing facilities:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Floating rate:			
Expiring within one year	\$ 994,050	\$ 864,050	\$ 775,000
Expiring beyond one year	<u>1,632,671</u>	<u>2,524,562</u>	<u>2,520,000</u>
	<u>\$ 2,626,721</u>	<u>\$ 3,388,612</u>	<u>\$ 3,295,000</u>

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

<u>March 31, 2024</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	\$ 235,318	\$ -	\$ -	\$ -
Notes payable	34,852	-	-	-
Accounts payable	35,631	-	-	-
Other payables	175,830	-	-	-
Lease liability	5,665	5,665	16,995	77,893
Long-term borrowings (including current portion)	141,939	312,425	257,631	415,871
<u>December 31, 2023</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 366,915	\$ -	\$ -	\$ -
Notes payable	41,913	-	-	-
Accounts payable	17,975	-	-	-
Other payables	112,141	-	-	-
Lease liability	5,126	5,126	15,378	71,760
Long-term borrowings (including current portion)	100,097	385,958	483,771	-

<u>March 31, 2023</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 326,009	\$ -	\$ -	\$ -
Notes payable	91,746	-	-	-
Accounts payable	35,182	-	-	-
Other payables	316,723	-	-	-
Lease liability	5,126	5,126	15,378	75,604
Long-term borrowings (including current portion)	200,879	280,576	431,318	-

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

(3) Fair value information

A. As of March 31, 2024, December 31, 2023 and March 31, 2023, the Group had no fair value financial instruments.

B. Financial instruments not measured at fair value

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

13. SUPPLEMENTARY DISCLOSURES

(According to the regulatory requirement, only information for the three-month period ended March 31, 2024 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: None.

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 3.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Refer to table 5.

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

(4) Major shareholders information

Major shareholders information: Refer to table 7.

14. SEGMENT INFORMATION

(1) General information

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

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

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

	For the three-month period ended March 31, 2024					Total
	CHIEFTEK PRECISION	Chieftek (Kunshan)	cpc Europa	cpc USA	Others	
Segment revenue	\$ 188,164	\$ 33,597	\$ 84,650	\$ 47,173	\$ 2,806	\$ 356,390
Inter-segment revenue	99,545	-	-	-	2,806	102,351
External revenue	88,619	33,597	84,650	47,173	-	254,039
Interest income	42	248	-	644	420	1,354
Depreciation and amortization	15,414	24	703	55	844	17,040
Capital expenditures	41,820	146	530	31	-	42,527
Interest expense	5,113	-	1,372	-	602	7,087
Segment pre-tax income	43,493	1,510	3,467	3,932	1,423	53,825
Segment assets	3,210,621	211,800	248,604	121,752	207,878	4,000,655
Segment liabilities	1,440,107	2,268	142,462	4,346	87,200	1,676,383

For the three-month period ended March 31, 2023

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

(3) Reconciliation for segment income

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

	For the three-month periods ended March 31,	
	2024	2023
Reportable segments pre-tax income	\$ 52,402	\$ 63,440
Other segments pre-tax gain (loss)	1,423	(2)
Inter segments gain	(13,059)	(15,510)
Profit before income tax	<u>\$ 40,766</u>	<u>\$ 47,928</u>

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the three-month period ended March 31, 2024

Table 1

Expressed in thousands of NTD

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount during the period	Outstanding endorsement/ guarantee amount at March 31, 2024	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	\$ 464,854	\$ 258,450	\$ 258,450	\$ 125,779	\$ -	11%	\$ 1,162,136	Y	N	N	—

(Note 1) The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

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

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

- (1) The Company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(Note 3) (1) The limit of total amount of endorsements/guarantees is 50% of the Company's net worth of the latest financial statements, and the limit of total amount of endorsements/guarantees for a single party is 20% of the Company's net worth of the latest financial statements.

Between companies whose voting shares are held by the Company directly and indirectly more than 90%, an endorsement guarantee may be made and its amount shall not exceed 10% of the Company's net worth of the latest financial statements. However, this does not apply to inter-company endorsement guarantees where the Company directly or indirectly holds 100% of the voting shares.

- (2) For any endorsements or guarantees provided by the Company due to business dealings, except for the abovementioned limit, the amount of endorsements or guarantees shall be limited to the business dealing amount of the most recent year. The business dealing amount is product purchase or sale amount between the entities, whichever is higher.
- (3) Between companies whose voting shares are 100% held by the Company directly and indirectly, and the limit of total amount of endorsements/guarantees is 50% of the company's, who provide endorsement guarantee, net worth of the latest financial statements, and the limit of total amount of endorsements/guarantees to a single party is 20% of the company's, who provide endorsement guarantee, net worth of the latest financial statements.
- (4) The limit of total amount of endorsements/guarantees provided by the Company and subsidiaries is 50% of the Company's net worth of the latest financial statements, and the limit of total amount of endorsements/guarantees provided by the Company and subsidiaries to a single party is 20% of the Company's net worth of the latest financial statements.

(Note 4) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:32.00) as of March 31, 2024.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

For the three-month period ended March 31, 2024

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
Significant inter-company transactions during the reporting period
For the three-month period ended March 31, 2024

Table 3

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	Endorsements and guarantees	\$ 258,450	—	6%
				Sales revenue	(36,003)	180 days after monthly-closing, T/T	(14%)
				Accounts receivable	33,347	—	1%
		CHIEFTEK PRECISION USA CO., LTD.	1	Sales revenue	(28,157)	180 days after monthly-closing, T/T	(11%)
				Accounts receivable	46,798	—	1%
				Sales revenue	(35,385)	180 days after monthly-closing, T/T	(14%)
1	CHIEFTEK PRECISION USA CO., LTD.	CHIEFTEK PRECISION INTERNATINAL LLC	3	Accounts receivable	42,594	—	1%
				Rent payment	2,806	—	1%
				Guarantee deposits paid	1,600	—	—

(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 1:32.00) as of March 31, 2024.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

For the three-month period ended March 31, 2024

Table 4

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of March 31, 2024			Net profit (loss) of the investee for the three-month period ended March 31, 2024	Investment income (loss) recognized by the Company for the three-month period ended March 31, 2024	Footnote
				Balance as of March 31, 2024	Balance as of December 31, 2023	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%	\$ 167,945	\$ 991	\$ 991	Subsidiary
	CHIEFTEK PRECISION INTERNATIONAL LLC	United States of America	Lease of real estate property	110,054	110,054	-	100%	119,035	1,420	1,420	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%	106,421	8,109	8,109	Subsidiary
	cpc Europa GmbH	Germany	Sales of high precision linear motion components and rendering after-sale services	98,695	98,695	-	100%	72,795	2,539	2,539	Subsidiary

(Note) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:32.00) as of March 31, 2024.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Basic information

For the three-month period ended March 31, 2024

Table 5

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2024	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2024		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2024	Net income of investee for the three-month period ended March 31, 2024	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three-month period ended March 31, 2024 (Note 2)	Book value of investments in Mainland China as of March 31, 2024	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2024	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	\$ 163,200	Note 1	\$ 163,200	\$ -	\$ -	\$ 163,200	\$ 991	100%	\$ 991	\$ 179,464	\$ 258,373	—

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2024	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.	\$ 163,200	\$ 163,200	\$ 1,394,563

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

(Note 2) The investment income (loss) is recognized based on the investees' financial statements that were reviewed by the parent company's auditors for the three-month period ended March 31, 2024.

(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 1:32.00) as of March 31, 2024.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

For the three-month period ended March 31, 2024

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Sales (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at March 31, 2024	%	Balance at March 31, 2024	Purpose	Maximum balance during the three-month period ended March 31, 2024	Balance at March 31, 2024	Interest rate	Interest during the three-month period ended March 31, 2024	Others
Chieftek Machinery (Kunshan) Co., Ltd	\$ 35,385	14%	\$ -	-	\$ 42,594	1%	\$ -	-	\$ -	\$ -	-	\$ -	\$ -

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Major shareholders information

March 31, 2024

Table 7

Expressed in shares

Name of the major shareholder	Number of shares		Ownership (%)
	Common stock		
Hsu, Ming-Che	6,137,271		6.87%
Xinzhide Investment Co., Ltd.	4,545,100		5.09%

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.