**CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND**

**INDEPENDENT AUDITORS' REVIEW REPORT**

**MARCH 31, 2022 AND 2021**

------------------------------------------------------------------------------------------------------------------------------------

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, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

## Scope of review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Basis for qualified conclusion

The financial statements and related information disclosed in Note 13 of insignificant consolidated subsidiaries were not reviewed by independent auditors. Those statements reflect total assets of NT$303,519 thousand and NT$311,237 thousand, constituting 8% and 9% of the consolidated total assets, and total liabilities of NT$85,329 thousand and NT$86,347 thousand, constituting 5% and 6% of the consolidated total liabilities as of March 31, 2022 and 2021, respectively, and total comprehensive income of NT$10,203 thousand and NT$10,382 thousand, constituting 12% and 16% 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, 2022 and 2021, 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" as endorsed by the Financial Supervisory Commission.

Lin, Yung-Chih

Independent Auditors

Tien, Chung-Yu

PricewaterhouseCoopers, Taiwan
Republic of China
May 4, 2022

---

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.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

| | | | March 31, 2022 | | December 31, 2021 | | March 31, 2021 | |
|---|---|---|---|---|---|---|---|---|
| | Assets | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| | **Current assets** | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 893,395 | 23 | $ 801,950 | 21 | $ 660,529 | 19 |
| 1136 | Financial assets at amortized cost - current | 6(2) | 72,827 | 2 | 70,412 | 2 | 7,392 | - |
| 1150 | Notes receivable, net | 6(3) | 19,190 | 1 | 46,317 | 1 | 31,915 | 1 |
| 1170 | Accounts receivable, net | 6(3) and 12 | 352,768 | 9 | 401,437 | 11 | 360,413 | 10 |
| 1200 | Other receivables | | 5,910 | - | 6,756 | - | 1,971 | - |
| 1220 | Current income tax assets | 6(22) | 2,471 | - | - | - | 20,702 | 1 |
| 130X | Inventories | 6(4) | 472,072 | 12 | 441,898 | 12 | 525,504 | 15 |
| 1410 | Prepayments | | 50,174 | 1 | 45,386 | 1 | 46,460 | 1 |
| 11XX | **Total current assets** | | 1,868,807 | 48 | 1,814,156 | 48 | 1,654,886 | 47 |
| | **Non-current assets** | | | | | | | |
| 1600 | Property, plant and equipment | 6(5) and 8 | 1,702,416 | 44 | 1,711,186 | 45 | 1,562,194 | 44 |
| 1755 | Right-of-use assets | 6(6) | 128,931 | 4 | 123,377 | 3 | 128,045 | 4 |
| 1780 | Intangible assets | 6(7) | 77,308 | 2 | 79,576 | 2 | 99,337 | 3 |
| 1840 | Deferred income tax assets | 6(22) | 19,440 | 1 | 12,919 | 1 | 21,975 | 1 |
| 1915 | Prepayments for equipment | 6(5) | 50,250 | 1 | 43,508 | 1 | 47,764 | 1 |
| 1920 | Guarantee deposits paid | | 8,913 | - | 7,999 | - | 10,403 | - |
| 1990 | Other non-current assets | | 4,239 | - | 4,478 | - | 3,683 | - |
| 15XX | **Total non-current assets** | | 1,991,497 | 52 | 1,983,043 | 52 | 1,873,401 | 53 |
| 1XXX | **Total assets** | | $ 3,860,304 | 100 | $ 3,797,199 | 100 | $ 3,528,287 | 100 |

(Continued)

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

| | Liabilities and Equity | Notes | March 31, 2022 AMOUNT | % | December 31, 2021 AMOUNT | % | March 31, 2021 AMOUNT | % |
|---|---|---|---|---|---|---|---|---|
| | **Liabilities** | | | | | | | |
| | **Current liabilities** | | | | | | | |
| 2100 | Short-term borrowings | 6(8) | $ 240,000 | 6 | $ 230,000 | 6 | $ 294,000 | 8 |
| 2130 | Current contract liabilities | 6(15) | 4,894 | - | 2,626 | - | 6,695 | - |
| 2150 | Notes payable | | 122,190 | 3 | 161,421 | 4 | 96,698 | 3 |
| 2170 | Accounts payable | | 52,691 | 2 | 49,456 | 1 | 48,620 | 1 |
| 2200 | Other payables | 6(9) | 274,144 | 7 | 169,011 | 5 | 260,721 | 8 |
| 2230 | Current income tax liabilities | 6(22) | 69,681 | 2 | 50,557 | 2 | 9,052 | - |
| 2280 | Current lease liabilities | 6(6)(19) | 5,636 | - | 5,308 | - | 5,237 | - |
| 2320 | Long-term liabilities, current portion | 6(10), 8 and 9 | 77,478 | 2 | 78,553 | 2 | 100,929 | 3 |
| 21XX | **Total current liabilities** | | 846,714 | 22 | 746,932 | 20 | 821,952 | 23 |
| | **Non-current liabilities** | | | | | | | |
| 2540 | Long-term borrowings | 6(10), 8 and 9 | 607,875 | 16 | 624,585 | 17 | 492,885 | 14 |
| 2570 | Deferred income tax liabilities | 6(22) | 19,234 | 1 | 10,968 | - | 25,539 | 1 |
| 2580 | Non-current lease liabilities | 6(6)(19) | 126,783 | 3 | 121,278 | 3 | 125,268 | 4 |
| 2640 | Net defined benefit liabilities | 6(11) | 7,407 | - | 7,481 | - | 7,089 | - |
| 25XX | **Total non-current liabilities** | | 761,299 | 20 | 764,312 | 20 | 650,781 | 19 |
| 2XXX | **Total liabilities** | | 1,608,013 | 42 | 1,511,244 | 40 | 1,472,733 | 42 |
| | **Equity** | | | | | | | |
| | Share capital | 6(12) | | | | | | |
| 3110 | Common stock | | 811,876 | 21 | 811,876 | 21 | 811,876 | 23 |
| | Capital reserves | 6(13) | | | | | | |
| 3200 | Capital surplus | | 440,667 | 11 | 440,667 | 12 | 440,667 | 12 |
| | Retained earnings | 6(14) | | | | | | |
| 3310 | Legal reserve | | 182,266 | 5 | 182,266 | 5 | 162,016 | 5 |
| 3320 | Special reserve | | 36,323 | 1 | 36,323 | 1 | 29,394 | 1 |
| 3350 | Unappropriated retained earnings | | 843,749 | 22 | 891,999 | 23 | 677,343 | 19 |
| 3400 | Other equity interest | | ( 36,040) | ( 1) | ( 50,626) | ( 1) | ( 39,192) | ( 1) |
| 3500 | Treasury stocks | 6(12) | ( 26,550) | ( 1) | ( 26,550) | ( 1) | ( 26,550) | ( 1) |
| 3XXX | **Total equity** | | 2,252,291 | 58 | 2,285,955 | 60 | 2,055,554 | 58 |
| | Significant Contingent Liabilities and Unrecognized Contract Commitments | 6(6) and 9 | | | | | | |
| 3X2X | **Total liabilities and equity** | | $ 3,860,304 | 100 | $ 3,797,199 | 100 | $ 3,528,287 | 100 |

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

| | Items | Notes | Three months ended March 31 2022 AMOUNT | 2022 % | 2021 AMOUNT | 2021 % |
|---|---|---|---|---|---|---|
| 4000 | Sales revenue | 6(15) | $ 393,435 | 100 | $ 418,654 | 100 |
| 5000 | Operating costs | 6(4)(11)(20)(21) | ( 232,254) | ( 59) | ( 242,384) | ( 58) |
| 5900 | Net operating margin | | 161,181 | 41 | 176,270 | 42 |
| | Operating expenses | 6(7)(11)(20)(21) and 7 | | | | |
| 6100 | Selling expenses | | ( 29,788) | ( 8) | ( 22,843) | ( 5) |
| 6200 | General and administrative expenses | | ( 39,322) | ( 10) | ( 41,322) | ( 10) |
| 6300 | Research and development expenses | | ( 17,676) | ( 4) | ( 19,447) | ( 5) |
| 6450 | Expected credit impairment (loss) gain | 12 | ( 1,140) | - | 2,458 | 1 |
| 6000 | Total operating expenses | | ( 87,926) | ( 22) | ( 81,154) | ( 19) |
| 6900 | Operating profit | | 73,255 | 19 | 95,116 | 23 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(2)(16) | 468 | - | 240 | - |
| 7010 | Other income | 6(17) | 989 | - | 721 | - |
| 7020 | Other gains and losses | 6(18) and 12 | 22,631 | 6 | ( 4,567) | ( 1) |
| 7050 | Finance costs | 6(6)(19) | ( 3,620) | ( 1) | ( 3,699) | ( 1) |
| 7000 | Total non-operating income and expenses | | 20,468 | 5 | ( 7,305) | ( 2) |
| 7900 | **Profit before income tax** | | 93,723 | 24 | 87,811 | 21 |
| 7950 | Income tax expense | 6(22) | ( 20,859) | ( 6) | ( 21,332) | ( 5) |
| 8200 | **Profit for the period** | | $ 72,864 | 18 | $ 66,479 | 16 |
| | **Other comprehensive income (loss) (Net)** | | | | | |
| | **Components of other comprehensive income (loss) that will be reclassified to profit or loss** | | | | | |
| 8361 | Financial statements translation differences of foreign operations | | $ 14,586 | 4 | ($ 2,869) | ( 1) |
| 8300 | **Total other comprehensive income (loss) for the period** | | $ 14,586 | 4 | ($ 2,869) | ( 1) |
| 8500 | **Total comprehensive income for the period** | | $ 87,450 | 22 | $ 63,610 | 15 |
| | Earnings per share (in dollars) | 6(23) | | | | |
| 9750 | Basic | | $ 0.90 | | $ 0.82 | |
| 9850 | Diluted | | $ 0.90 | | $ 0.82 | |

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

| | | | | Retained Earnings | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital - common stock | Capital reserve | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Treasury stocks | Total equity |
| For the three-month period ended March 31, 2021 | | | | | | | | | |
| Balance at January 1, 2021 | | $ 811,876 | $ 440,667 | $ 162,016 | $ 29,394 | $ 731,978 | ($ 36,323) | ($ 26,550) | $ 2,113,058 |
| Profit for the period | | - | - | - | - | 66,479 | - | - | 66,479 |
| Other comprehensive loss for the period | | - | - | - | - | - | ( 2,869) | - | ( 2,869) |
| Total comprehensive income (loss) for the period | | - | - | - | - | 66,479 | ( 2,869) | - | 63,610 |
| Appropriation of 2020 earnings | | | | | | | | | |
| Cash dividends | 6(14) | - | - | - | - | ( 121,114) | - | - | ( 121,114) |
| Balance at March 31, 2021 | | $ 811,876 | $ 440,667 | $ 162,016 | $ 29,394 | $ 677,343 | ($ 39,192) | ($ 26,550) | $ 2,055,554 |
| For the three-month period ended March 31, 2022 | | | | | | | | | |
| Balance at January 1, 2022 | | $ 811,876 | $ 440,667 | $ 182,266 | $ 36,323 | $ 891,999 | ($ 50,626) | ($ 26,550) | $ 2,285,955 |
| Profit for the period | | - | - | - | - | 72,864 | - | - | 72,864 |
| Other comprehensive income for the period | | - | - | - | - | - | 14,586 | - | 14,586 |
| Total comprehensive income for the period | | - | - | - | - | 72,864 | 14,586 | - | 87,450 |
| Appropriation of 2021 earnings | | | | | | | | | |
| Cash dividends | 6(14) | - | - | - | - | ( 121,114) | - | - | ( 121,114) |
| Balance at March 31, 2022 | | $ 811,876 | $ 440,667 | $ 182,266 | $ 36,323 | $ 843,749 | ($ 36,040) | ($ 26,550) | $ 2,252,291 |

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

| | Notes | For the three-month periods ended March 31, 2022 | 2021 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 93,723 | $ 87,811 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Expected credit impairment loss (gain) | 12 | 1,140 | ( 2,458 ) |
| Loss on inventory market price decline | 6(4) | 2,135 | 798 |
| Depreciation | 6(5)(6)(20) | 19,612 | 20,083 |
| Gain on disposal of property, plant and equipment | 6(18) | ( 19 ) | - |
| Amortization | 6(7)(20) | 2,460 | 2,673 |
| Interest income | 6(16) | ( 468 ) | ( 240 ) |
| Interest expense | 6(19) | 3,620 | 3,699 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | 27,127 | ( 4,148 ) |
| Accounts receivable | | 46,972 | ( 12,873 ) |
| Other receivables | | 846 | 7,544 |
| Inventories | | ( 33,249 ) | 31,656 |
| Prepayments | | ( 4,788 ) | ( 10,411 ) |
| Changes in operating liabilities | | | |
| Current contract liabilities | | 2,268 | 1,888 |
| Notes payable | | ( 6,140 ) | 15,350 |
| Accounts payable | | 3,235 | ( 591 ) |
| Other payables | | ( 4,241 ) | 29,186 |
| Net defined benefit liabilities | | ( 74 ) | ( 74 ) |
| Cash inflow generated from operations | | 154,159 | 169,893 |
| Interest received | | 468 | 240 |
| Interest paid | | ( 3,582 ) | ( 3,711 ) |
| Income tax received | | 10 | - |
| Income tax paid | | ( 2,471 ) | ( 6,681 ) |
| Net cash flows from operating activities | | 148,584 | 159,741 |

(Continued)

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

| | Notes | For the three-month periods ended March 31, 2022 | 2021 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Increase in financial assets at amortized cost - current | | ($ 2,415 ) | ($ 32 ) |
| Cash paid for acquisition of property, plant and equipment | 6(24) | ( 48,660 ) | ( 44,734 ) |
| Proceeds from disposal of property, plant and equipment | | 19 | - |
| Acquisition of intangible assets | 6(7) | ( 192 ) | ( 428 ) |
| Increase in prepayments for equipment | | ( 6,742 ) | ( 265 ) |
| Increase in guarantee deposits paid | | ( 914 ) | ( 628 ) |
| Decrease in other non-current assets | | 239 | 1,629 |
| Net cash flows used in investing activities | | ( 58,665 ) | ( 44,458 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase in short-term borrowings | 6(25) | 240,000 | 314,000 |
| Decrease in short-term borrowings | 6(25) | ( 230,000 ) | ( 398,508 ) |
| Payments of lease liability | 6(25) | ( 1,394 ) | ( 1,295 ) |
| Decrease in long-term borrowings | 6(25) | ( 20,528 ) | ( 18,990 ) |
| Net cash flows used in financing activities | | ( 11,922 ) | ( 104,793 ) |
| Effect of foreign exchange rate changes on cash and cash equivalents | | 13,448 | ( 4,558 ) |
| Net increase in cash and cash equivalents | | 91,445 | 5,932 |
| Cash and cash equivalents at beginning of period | 6(1) | 801,950 | 654,597 |
| Cash and cash equivalents at end of period | 6(1) | $ 893,395 | $ 660,529 |

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

(1) CHIEFTEK PRECISION CO., LTD. (the "Company") was incorporated on October 19, 1998 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) and other related regulations. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the research, development, manufacture and sales of miniature linear guides, miniature ball screws, miniature linear modules, electro-optics equipment and semiconductor process equipment.

(2) The common stocks of the Company were originally listed on the Taipei Exchange from December 28, 2012, and have been authorized to trade in Taiwan Stock Exchange since December 23, 2020.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on May 4, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board ("IASB") |
|---|---|
| Amendments to IFRS 3, 'Reference to the conceptual framework' | January 1, 2022 |
| Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous contracts–cost of fulfilling a contract' | January 1, 2022 |
| Annual improvements to IFRS Standards 2018–2020 | January 1, 2022 |

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

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

None.

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

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

| New Standards, Interpretations and Amendments | Effective date by IASB |
| --- | --- |
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by IASB |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information' | January 1, 2023 |
| Amendments to IAS 1, 'Classification of liabilities as current or non-current' | January 1, 2023 |
| Amendments to IAS 1, 'Disclosure of accounting policies' | January 1, 2023 |
| Amendments to IAS 8, 'Definition of accounting estimates' | January 1, 2023 |
| Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction' | January 1, 2023 |

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2021, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

A. The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, 'Interim financial reporting' endorsed by the FSC.

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

(2) Basis of preparation

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

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

(3) Basis of consolidation

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

B. Subsidiaries included in the consolidated financial statements:

| | | | Ownership (%) | | | |
|---|---|---|---|---|---|---|
| Name of investor | Name of subsidiary | Business activities | March 31, 2022 | December 31, 2021 | March 31, 2021 | Note |
| CHIEFTEK PRECISION CO., LTD. (“CHIEFTEK PRECISION”) | CHIEFTEK PRECISION HOLDING CO., LTD. | Professional investment | 100 | 100 | 100 | - |
| CHIEFTEK PRECISION CO., LTD. | CHIEFTEK PRECISION INTERNATIONAL LLC | Lease of real estate property | 100 | 100 | 100 | Note 1 |
| CHIEFTEK PRECISION CO., LTD. | CHIEFTEK PRECISION USA CO., LTD. (“cpc USA”) | Sale of high precision linear motion components and rendering after-sales service | 100 | 100 | 100 | Note 1 |
| CHIEFTEK PRECISION CO., LTD. | cpc Europa GmbH (“cpc Europa”) | Sale of high precision linear motion components and rendering after-sales service | 100 | 100 | 100 | - |
| CHIEFTEK PRECISION HOLDING CO., LTD. | Chieftek Machinery (Kunshan) Co., Ltd. (“Chieftek (Kunshan)”) | Production, processing and sale of high precision linear motion components and after-sales service | 100 | 100 | - | Note 2 |

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

Note 1: The financial statements of the entity as of and for the three-month periods ended March 31, 2022 and 2021 were not reviewed by independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 2: On August 31, 2021, the Group has commenced organizational restructuring through capital reduction and withdrawal of 100% share capital of Chieftek Machinery (Kunshan) Co., Ltd. from Chieftek Precision (Hong Kong) Co., Limited and transferred the shares to CHIEFTEK PRECISION HOLDING CO., LTD..

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

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

E. Significant restrictions: None.

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

(4) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. 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

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

G. 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, 2022. Refer to Note 5 in the consolidated financial statements for the year ended December 31, 2021.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Cash: | | | |
| Cash on hand | $ 1,249 | $ 1,294 | $ 1,343 |
| Checking accounts and demand deposits | 890,786 | 799,322 | 657,753 |
| | 892,035 | 800,616 | 659,096 |
| Cash Equivalents: | | | |
| Time deposits | 1,360 | 1,334 | 1,433 |
| | $ 893,395 | $ 801,950 | $ 660,529 |

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, 2022, December 31, 2021 and March 31, 2021.

(2) Financial assets at amortized cost - current

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Restricted demand deposits (Note) | $ 65,364 | $ 63,206 | $ - |
| Time deposits with maturity of over 3 months | 7,463 | 7,206 | 7,392 |
| | $ 72,827 | $ 70,412 | $ 7,392 |

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 $11 and $18 from financial assets at amortized cost for the three-month periods ended March 31, 2022 and 2021, respectively, shown as part of "Interest Income".

B. As of March 31, 2022, December 31, 2021 and March 31, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group was its book value.

C. The Group has no financial assets at amortized cost pledged to others as of March 31, 2022, December 31, 2021 and March 31, 2021.

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

(3) Notes and accounts receivable, net

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Notes receivable | $ 19,190 | $ 46,317 | $ 31,915 |

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Accounts receivable | $ 370,406 | $ 417,378 | $ 382,818 |
| Less: Allowance for doubtful accounts | ( 17,638) | ( 15,941) | ( 22,405) |
| | $ 352,768 | $ 401,437 | $ 360,413 |

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

| | March 31, 2022 | | December 31, 2021 | | March 31, 2021 | |
|---|---|---|---|---|---|---|
| | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable |
| Not past due | $ 295,614 | $ 17,061 | $ 358,480 | $ 46,143 | $ 322,508 | $ 31,741 |
| Up to 30 days | 16,781 | 1,949 | 19,335 | - | 14,654 | - |
| 31 to 90 days | 27,632 | - | 21,394 | - | 21,630 | 174 |
| 91 to 180 days | 13,385 | - | 1,313 | - | 5,289 | - |
| Over 180 days | 16,994 | 180 | 16,856 | 174 | 18,737 | - |
| | $ 370,406 | $ 19,190 | $ 417,378 | $ 46,317 | $ 382,818 | $ 31,915 |

The above ageing analysis was based on past due date.

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

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

D. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group does not hold any collateral as security for accounts receivable.

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

(4) Inventories

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

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

| | March 31, 2021 | | |
|---|---|---|---|
| | Cost | Allowance for market price decline | Book value |
| Raw materials | $ 76,539 | ($ 2,853) | $ 73,686 |
| Supplies | 65,562 | ( 9,530) | 56,032 |
| Work in process | 272,151 | ( 15,811) | 256,340 |
| Finished goods | 177,912 | ( 38,466) | 139,446 |
| | $ 592,164 | ($ 66,660) | $ 525,504 |

The cost of inventories recognized as expense for the period:

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Cost of goods sold | $ 230,176 | $ 241,604 |
| Allowance for inventory market price decline | 2,135 | 798 |
| Loss on physical inventory | 146 | 146 |
| Revenue from sale of scraps | ( 203) | ( 164) |
| | $ 232,254 | $ 242,384 |

(5) Property, plant and equipment

| At January 1, 2022 | Land | Buildings and structures | Machinery and equipment | Transportation equipment | Office equipment | Leasehold improvements and other equipment | Construction in progress and equipment before acceptance inspection | Total |
|---|---|---|---|---|---|---|---|---|
| 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) |
| | $ 365,709 | $ 561,505 | $ 93,069 | $ 1,637 | $ 2,082 | $ 27,448 | $ 659,736 | $ 1,711,186 |

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

| At January 1, 2021 | Land | Buildings and structures | Machinery and equipment | Transportation equipment | Office equipment | Leasehold improvements and other equipment | Construction in progress and equipment before acceptance inspection | Total |
|---|---|---|---|---|---|---|---|---|
| Cost | $ 367,121 | $ 750,993 | $ 944,425 | $ 6,789 | $ 22,495 | $ 156,286 | $ 443,763 | $ 2,691,872 |
| Accumulated depreciation | - | ( 166,993) | ( 831,312) | ( 4,915) | ( 19,627) | ( 136,905) | - | ( 1,159,752) |
| | $ 367,121 | $ 584,000 | $ 113,113 | $ 1,874 | $ 2,868 | $ 19,381 | $ 443,763 | $ 1,532,120 |
| **2021** | | | | | | | | |
| At January 1, 2021 | $ 367,121 | $ 584,000 | $ 113,113 | $ 1,874 | $ 2,868 | $ 19,381 | $ 443,763 | $ 1,532,120 |
| Additions | - | 150 | 607 | - | 136 | 562 | 46,233 | 47,688 |
| Transferred from prepayments for equipment | - | - | - | - | - | - | 975 | 975 |
| Transferred after acceptance inspection | - | 193 | 260 | - | - | 10,174 | ( 10,627) | - |
| Depreciation | - | ( 5,136) | ( 10,406) | ( 130) | ( 375) | ( 2,480) | - | ( 18,527) |
| Disposals－Cost | - | - | ( 139) | - | ( 908) | ( 15) | - | ( 1,062) |
| －Accumulated depreciation | - | - | 139 | - | 908 | 15 | - | 1,062 |
| Net currency exchange differences | 97 | 209 | ( 303) | ( 2) | ( 7) | ( 56) | - | ( 62) |
| At March 31, 2021 | $ 367,218 | $ 579,416 | $ 103,271 | $ 1,742 | $ 2,622 | $ 27,581 | $ 480,344 | $ 1,562,194 |
| **At March 31, 2021** | | | | | | | | |
| Cost | $ 367,218 | $ 751,590 | $ 944,470 | $ 6,762 | $ 21,680 | $ 166,794 | $ 480,344 | $ 2,738,858 |
| Accumulated depreciation | - | ( 172,174) | ( 841,199) | ( 5,020) | ( 19,058) | ( 139,213) | - | ( 1,176,664) |
| | $ 367,218 | $ 579,416 | $ 103,271 | $ 1,742 | $ 2,622 | $ 27,581 | $ 480,344 | $ 1,562,194 |

A. Property, plant and equipment of the Group were all for operating purposes as of March 31, 2022, December 31, 2021 and March 31, 2021.

B. For the three-month periods ended March 31, 2022 and 2021, no borrowing costs were capitalized as part of property, plant and equipment.

C. Information about the property, plant and equipment that were pledged to others as collateral as of March 31, 2022, December 31, 2021 and March 31, 2021 is provided in Note 8, 'Pledged assets'.

(6) Leasing arrangements－lessee

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

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

Carrying amount:

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Land | $ 128,931 | $ 123,377 | $ 128,045 |

Depreciation charge:

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Land | $ 1,673 | $ 1,556 |

C. For the three-month periods ended March 31, 2022 and 2021, the Group has no additions to right-of-use assets.

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

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Items affecting profit or loss | | |
| Interest expense on lease liabilities | $ 599 | $ 590 |
| Expense on short-term lease contracts | $ 3,005 | $ 3,047 |

E. For the three-month periods ended March 31, 2022 and 2021, the Group's total cash outflow for leases were $4,998 and $4,932, respectively.

(7) Intangible assets

| | Trademarks | Patents | Software | Turn-key professional technique | Others | Total |
|---|---|---|---|---|---|---|
| At January 1, 2022 | | | | | | |
| 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 | $ - | $ 6,903 | $ 99 | $ 72,574 | $ - | $ 79,576 |
| 2022 | | | | | | |
| Net value at January 1, 2022 | $ - | $ 6,903 | $ 99 | $ 72,574 | $ - | $ 79,576 |
| Additions－acquired separately | - | 192 | - | - | - | 192 |
| Amortization | - | ( 175) | ( 18) | ( 2,267) | - | ( 2,460) |
| Net value at March 31, 2022 | $ - | $ 6,920 | $ 81 | $ 70,307 | $ - | $ 77,308 |
| At March 31, 2022 | | | | | | |
| Cost | $ 578 | $ 11,525 | $ 12,755 | $ 90,718 | $ 60,000 | $ 175,576 |
| Accumulated amortization | ( 578) | ( 4,605) | ( 12,674) | ( 20,411) | ( 13,500) | ( 51,768) |
| Accumulated impairment | - | - | - | - | ( 46,500) | ( 46,500) |
| Net value | $ - | $ 6,920 | $ 81 | $ 70,307 | $ - | $ 77,308 |

| | Trademarks | Patents | Software | Turn-key professional technique | Others | Total |
|---|---|---|---|---|---|---|
| At January 1, 2021 | | | | | | |
| Cost | $ 578 | $ 10,106 | $ 12,848 | $ 90,718 | $ 60,000 | $ 174,250 |
| Accumulated amortization | ( 578) | ( 3,724) | ( 12,155) | ( 9,072) | ( 13,500) | ( 39,029) |
| Accumulated impairment | - | - | - | - | ( 33,626) | ( 33,626) |
| Net value | $ - | $ 6,382 | $ 693 | $ 81,646 | $ 12,874 | $ 101,595 |
| 2021 | | | | | | |
| Net value at January 1, 2021 | $ - | $ 6,382 | $ 693 | $ 81,646 | $ 12,874 | $ 101,595 |
| Additions－acquired separately | - | 302 | 126 | - | - | 428 |
| Amortization | - | ( 187) | ( 218) | ( 2,268) | - | ( 2,673) |
| Net currency exchange differences | - | - | ( 13) | - | - | ( 13) |
| Net value at March 31, 2021 | $ - | $ 6,497 | $ 588 | $ 79,378 | $ 12,874 | $ 99,337 |
| At March 31, 2021 | | | | | | |
| Cost | $ 578 | $ 10,408 | $ 12,865 | $ 90,718 | $ 60,000 | $ 174,569 |
| Accumulated amortization | ( 578) | ( 3,911) | ( 12,277) | ( 11,340) | ( 13,500) | ( 41,606) |
| Accumulated impairment | - | - | - | - | ( 33,626) | ( 33,626) |
| Net value | $ - | $ 6,497 | $ 588 | $ 79,378 | $ 12,874 | $ 99,337 |

A. For the three-month periods ended March 31, 2022 and 2021, no borrowing costs were capitalized as part of intangible assets.

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

| | For the three-month periods ended March 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| General and administrative expenses | $ | 7 | $ | 214 |
| Research and development expenses | | 2,453 | | 2,459 |
| | $ | 2,460 | $ | 2,673 |

(8) Short-term borrowings

| Nature | March 31, 2022 | | Interest rate range | Collateral |
|---|---|---|---|---|
| Bank unsecured borrowings | $ | 240,000 | 0.51%～1.03% | None |

| Nature | December 31, 2021 | | Interest rate range | Collateral |
|---|---|---|---|---|
| Bank unsecured borrowings | $ | 230,000 | 0.57%~0.85% | None |

| Nature | March 31, 2021 | | Interest rate range | Collateral |
|---|---|---|---|---|
| Bank unsecured borrowings | $ | 294,000 | 0.52%~0.90% | None |

For more information about interest expense recognized by the Group for the three-month periods ended March 31, 2022 and 2021, refer to Note 6(19), 'Finance costs'.

(9) Other payables

| | March 31, 2022 | | December 31, 2021 | | March 31, 2021 | |
|---|---|---|---|---|---|---|
| Dividends payable | $ | 121,114 | $ | - | $ | 121,114 |
| Accrued salaries and bonuses | | 53,239 | | 72,660 | | 56,582 |
| Employees' compensation and directors' and supervisors' remuneration payable | | 34,126 | | 27,000 | | 34,756 |
| Equipment payable | | 3,429 | | 15,207 | | 4,851 |
| Others | | 62,236 | | 54,144 | | 43,418 |
| | $ | 274,144 | $ | 169,011 | $ | 260,721 |

(10) Long-term borrowings

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

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

| Nature | Expiry date | | March 31, 2021 | Interest rate range | Collateral |
|---|---|---|---|---|---|
| Long-term bank borrowings | | | | | |
| Secured borrowings | August 21, 2023～ December 28, 2027 | $ | 433,814 | 1.04%～ 2.81% | Land, buildings and structures |
| Unsecured borrowings | February 22, 2022～ May 15, 2027 | | 160,000 | 1.25%～ 1.30% | None |
| | | | 593,814 | | |
| Less: Current portion | | ( | 100,929) | | |
| | | $ | 492,885 | | |

For more information about interest expense recognized by the Group for the three-month periods ended March 31, 2022 and 2021, refer to Note 6(19), 'Finance costs'.

(11) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b) No pension cost was recognized under the aforementioned defined benefit pension plan of the Company for the three-month periods ended March 31, 2022 and 2021.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to $297.

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The other subsidiaries are subject to local government sponsored defined contribution plan. In accordance with related laws of the respective local government, the independent pension fund of employees is administered by the government. Other than the monthly contributions, these subsidiaries do not have further obligations. The pension costs under the defined contribution pension plans of the Group for the three-month periods ended March 31, 2022 and 2021 were $5,078 and $3,182, 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, | |
|---|---|---|
| | 2022 | 2021 |
| Balance at beginning and end of period | 80,743 | 80,743 |

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, | |
|---|---|---|
| Reason for reacquisition | 2022 | 2021 |
| To be reissued to employees | 445 | 445 |

(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, 2022, December 31, 2021 and March 31, 2021, the treasury shares amounted to $26,550.

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

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

C. As of March 31, 2022, the Company's authorized capital was $1,500,000 (including $30,000 reserved for employee stock options), and the paid-in capital was $811,876 (81,188 thousand shares) with par value of $10 (in dollars) per share.

(13) Capital reserve

| For the three-month periods ended March 31, 2022 and 2021 | Share premium | Others | Total |
|---|---|---|---|
| Balances at beginning and end of period | $ 440,553 | $ 114 | $ 440,667 |

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

(14) Retained earnings

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

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

(1) pay all taxes and dues;

(2) offset any loss of prior years;

(3) set aside 10% as legal reserve;

(4) set aside or reverse special reserve as required by regulations or the Competent Authority;

(5) The appropriation of the remaining amount after deducting items (1) to (4), along with the unappropriated retained earnings of prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the shareholders' meeting. However, the distribution of dividends shall not be lower than 20% of the current

year's profit after deducting items (1) to (4). In order to continually expand the scale of operations, increase competitiveness and support the Company's long-term development plans, future capital requirements and long-term financial plan, the Company's dividend policy is to distribute stock dividends and partially as cash dividends. Cash dividends shall not be less than 10% of the total dividends distributed to shareholders. The Board of Directors of the Company shall adopt a resolution by a majority of more than two-thirds of the directors present to distribute whole or a part of the distributable dividends, bonuses, capital reserves or legal reserve in the form of cash, and report to the shareholders during their meetings. The above is not subject to provisions that require shareholders' approval.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. As of December 31, 2020, pursuant to the regulations for the deduction amount to stockholders' equity from other equity items, the Company has set aside special reserve of $36,323, which cannot be distributed to shareholders.

D. The Company recognized cash dividends distributed to owners amounting to $121,114 ($1.5 (in dollars) per share) for the three-month periods ended March 31, 2022 and 2021. On March 2, 2022, the Board of Directors proposed for the distribution of stock dividends from 2021 earnings in the amount of $80,743 ($1.0 (in dollars) per share).

(15) Operating revenue

| | For the three-month periods ended March 31, 2022 | 2021 |
|---|---|---|
| Revenue from contracts with customers | $ 393,435 | $ 418,654 |

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 $4,894, $2,626, $6,695 and $4,807 as of March 31, 2022, December 31, 2021, March 31, 2021 and January 1, 2020, respectively. Revenue recognized that were included in the contract liability balance at the beginning of 2022 and 2021 for the three-month periods ended March 31, 2022 and 2021 were $1,174 and $4,310, respectively.

(16) Interest income

| | For the three-month periods ended March 31, 2022 | 2021 |
|---|---|---|
| Interest income from bank deposits | $ 457 | $ 222 |
| Interest income from financial assets measured at amortized cost | 11 | 18 |
| | $ 468 | $ 240 |

(17) Other income

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Other income – others | $ 989 | $ 721 |

(18) Other gains and losses

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Currency exchange gain (loss) | $ 22,450 | ($ 4,422) |
| Loss on disposal of property, plant and equipment | 19 | - |
| Other gains (losses) | 162 | ( 145) |
| | $ 22,631 | ($ 4,567) |

(19) Finance costs

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Interest expense: | | |
| Interest expense on bank borrowings | $ 3,021 | $ 3,109 |
| Interest expense on lease liabilities | 599 | 590 |
| | $ 3,620 | $ 3,699 |

(20) Expenses by nature

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

| | For the three-month period ended March 31, 2021 | | |
|---|---|---|---|
| | Operating cost | Operating expense | Total |
| Employee benefit expense | $ 69,876 | $ 54,434 | $ 124,310 |
| Depreciation | 14,408 | 5,675 | 20,083 |
| Amortization | - | 2,673 | 2,673 |
| | $ 84,284 | $ 62,782 | $ 147,066 |

(21) Employee benefit expense

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

| | For the three-month period ended March 31, 2021 | | |
|---|---|---|---|
| | Operating cost | Operating expense | Total |
| Wages and salaries | $ 60,148 | $ 50,955 | $ 111,103 |
| Labor and health insurance expense | 5,370 | 1,958 | 7,328 |
| Pension costs | 2,417 | 765 | 3,182 |
| Other personnel expenses | 1,941 | 756 | 2,697 |
| | $ 69,876 | $ 54,434 | $ 124,310 |

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, 2022 and 2021, the Company's employees' compensation were $5,939 and $11,405, respectively; while directors' remuneration were $1,187 and $2,851, respectively. The aforementioned amounts were recognized in salary expenses and were estimated and accrued based on the profit as of the end of the reporting period and the percentage specified in the Articles of Incorporation of the Company.

The employees' compensation and directors' remuneration for 2021 as resolved by the Board of Directors were $22,000 and $5,000, respectively, and the employees' compensation was distributed in the form of cash. Employees' compensation and directors' remuneration for 2021 as resolved by the Board of Directors were equal to the amounts recognized in the 2021 financial statements.

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

(22) Income tax

A. Income tax expense:

Components of income tax expense:

| | For the three-month periods ended March 31, 2022 | 2021 |
|---|---|---|
| Current income tax: | | |
| Income tax incurred in current period | $ 19,114 | $ 9,094 |
| Prior year income tax under estimation | - | 2,487 |
| Total current income tax | 19,114 | 11,581 |
| Deferred income tax: | | |
| Origination and reversal of temporary differences | 1,745 | 9,751 |
| Income tax expense | $ 20,859 | $ 21,332 |

B. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of May 4, 2022.

(23) Earnings per share ("EPS")

| | For the three-month period ended March 31, 2022 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of shares outstanding (shares in thousands) | EPS (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 72,864 | 80,743 | $ 0.90 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 72,864 | 80,743 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 337 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 72,864 | 81,080 | $ 0.90 |

| | For the three-month period ended March 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Amount after tax | | Weighted average number of shares outstanding (shares in thousands) | EPS (in dollars) | |
| Basic earnings per share | | | | | |
| Profit attributable to ordinary shareholders of the parent | $ | 66,479 | 80,743 | $ | 0.82 |
| Diluted earnings per share | | | | | |
| Profit attributable to ordinary shareholders of the parent | $ | 66,479 | 80,743 | | |
| Assumed conversion of all dilutive potential ordinary shares Employees' compensation | | - | 180 | | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ | 66,479 | 80,923 | $ | 0.82 |

(24) Supplemental cash flow information

A. Investing activities with partial cash payments

| | For the three-month periods ended March 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| Purchase of property, plant and equipment | $ | 3,791 | $ | 47,688 |
| Add: Opening balance of notes payable | | 35,637 | | 11,803 |
| Opening balance of payable for equipment | | 15,207 | | 5,253 |
| Less: Ending balance of notes payable | ( | 2,546) | ( | 15,159) |
| Ending balance of payable for equipment | ( | 3,429) | ( | 4,851) |
| Cash paid during the period | $ | 48,660 | $ | 44,734 |

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

| | For the three-month periods ended March 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| (a) Write-offs of allowance for bad debts | $ | - | $ | 800 |
| (b) Prepayments for equipment reclassified to property, plant and equipment | $ | - | $ | 975 |
| (c) Cash dividends appropriation | $ | 121,114 | $ | 121,114 |

(25) Changes in liabilities from financing activities

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

| | Short-term borrowings | Lease liability | Long-term borrowings | Liabilities from financing activities-gross |
|---|---|---|---|---|
| At January 1, 2021 | $ 379,012 | $ 131,800 | $ 612,642 | $ 1,123,454 |
| Changes in cash flow from financing activities | ( 84,508) | ( 1,295) | ( 18,990) | ( 104,793) |
| Impact of changes in foreign exchange rate | ( 504) | - | 162 | ( 342) |
| At March 31, 2021 | $ 294,000 | $ 130,505 | $ 593,814 | $ 1,018,319 |

## 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, 2022 | 2021 |
|---|---|---|
| Salaries and other short-term employee benefits | $ 7,158 | $ 8,095 |

## 8. PLEDGED ASSETS

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

| Asset pledged | Book value March 31, 2022 | December 31, 2021 | March 31, 2021 | Purpose of collateral |
|---|---|---|---|---|
| Land (Note) | $ 367,377 | $ 365,709 | $ 367,218 | Guarantee for long-term borrowings |
| Buildings and structures-net (Note) | 538,421 | 538,453 | 552,308 | Guarantee for long-term borrowings |
| | $ 905,798 | $ 904,162 | $ 919,526 | |

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of March 31, 2022, December 31, 2021 and March 31, 2021, the endorsements and guarantees provided by the Company to the subsidiary, cpc Europa GmbH, amounted to $－, $－ and $100,440, respectively, and the actual amounts drawn down were all $－.

(2) As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group's remaining balance due for construction in progress and prepayments for equipment were $167,782, $165,890 and $327,543, respectively.

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

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

(a) Current ratio (current assets/current liabilities): At least 100%.

(b) Liability ratio (total liabilities/net equity): Less than 220% in 2020; less than 200% in 2021 and 2022; less than 180% from 2023.

(c) Tangible net value (shareholders' equity less intangible assets): At least $1,000,000.

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

As of March 31, 2022, the Company has not violated any of the above covenants.

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

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

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

(iii) The Group treasury's risk management policy is to hedge anticipated cash flows (mainly sale export and purchase of inventory) in the major foreign currency in the future so as to decrease the risk exposure in the major foreign currency.

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

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

| | March 31, 2021 | | |
|---|---|---|---|
| | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 10,772 | 28.625 | $ 308,417 |
| JPY:NTD | 163,335 | 0.2353 | 38,433 |
| EUR:NTD | 4,790 | 31.92 | 152,894 |
| Financial liabilities | | | |
| Monetary items | | | |
| JPY:NTD | 4,135 | 0.2353 | 1,015 |
| EUR:NTD | 394 | 31.92 | 12,581 |

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

| | March 31, 2021 | | |
|---|---|---|---|
| | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 9,477 | 28.535 | $ 270,421 |
| JPY:NTD | 51,781 | 0.2577 | 13,344 |
| EUR:NTD | 877 | 33.48 | 29,377 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1 | 28.535 | 19 |
| JPY:NTD | 10,548 | 0.2577 | 2,718 |
| EUR:NTD | 449 | 33.48 | 15,024 |

Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If the exchange rate of NTD to other currencies had appreciated/depreciated by 1% with all other factors remaining constant, the Group's net profit (loss) after tax for the three-month periods ended March 31, 2022 and 2021 would increase/decrease by $3,889 and $2,363, respectively.

(vi) The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2022 and 2021 amounted to $22,450 and ($4,422), respectively.

II. <u>Price risk</u>

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. <u>Cash flow and fair value interest rate risk</u>

(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, 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in NTD, USD and EUR.

(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, 2022 and 2021 would have decreased/increased by $242 and $249, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

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

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

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

IV. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group's written-off financial assets that are still under recourse procedures amounted to $3,895, $3,895 and $3,878, respectively.

V. The Group classifies customers' accounts receivable in accordance with the credit rating of customers and credit risk on trade. The Group applies the simplified approach using the provision matrix and the forecast ability to adjust historical and timely information to estimate expected credit loss. The expected credit loss ranges from 0.03% to 100%. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | Accounts receivable | Accounts receivable |
| At January 1 | $ 15,941 | $ 26,070 |
| Provision for impairment | 1,140 | ( 2,458) |
| Write-offs | - | ( 800) |
| Effect of foreign exchange | 557 | ( 407) |
| At March 31 | $ 17,638 | $ 22,405 |

(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:

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Floating rate: | | | |
| Expiring within one year | $ 941,200 | $ 976,000 | $ 3,000,440 |
| Expiring beyond one year | 2,760,000 | 2,760,000 | 2,900,000 |
| | $ 3,701,200 | $ 3,736,000 | $ 5,900,440 |

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.

| March 31, 2022 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | $ 240,576 | $ - | $ - | $ - |
| Notes payable | 122,190 | - | - | - |
| Accounts payable | 52,691 | - | - | - |
| Other payables | 274,144 | - | - | - |
| Lease liability | 7,970 | 7,970 | 23,909 | 117,554 |
| Long-term borrowings (including current portion) | 87,159 | 164,996 | 376,845 | 89,562 |

| December 31, 2021 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | $ 230,181 | $ - | $ - | $ - |
| Notes payable | 161,421 | - | - | - |
| Accounts payable | 49,456 | - | - | - |
| Other payables | 169,011 | - | - | - |
| Lease liability | 7,539 | 7,539 | 22,618 | 113,090 |
| Long-term borrowings (including current portion) | 88,142 | 150,145 | 429,539 | 70,022 |

| March 31, 2021 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | $ 294,799 | $ - | $ - | $ - |
| Notes payable | 96,698 | - | - | - |
| Accounts payable | 48,620 | - | - | - |
| Other payables | 260,721 | - | - | - |
| Lease liability | 7,539 | 7,539 | 22,618 | 118,745 |
| Long-term borrowings (including current portion) | 109,114 | 58,279 | 297,030 | 163,940 |

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, 2022, December 31, 2021 and March 31, 2021, the Group had no fair value financial instruments.

B. Financial instruments not measured at fair value

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

(4) Others

A. As a cross-border operating group, due to the impact of COVID-19 pandemic, certain nations have taken preventive measures, which have reduced business activities and affected the sales of some operating entities of the Group in certain countries. The Group has taken relevant countermeasures, such as keeping in close contact with customers and manufacturers, strengthening employee health monitoring and continuing to pay attention to the development of the pandemic, in order to mitigate the impact on the operations. However, the actual extent of the possible impact will depend on the subsequent development of the pandemic.

B. Due to the impact of COVID-19 pandemic and preventive measures imposed by the government, the Group has implemented workplace hygiene management and continued managing relevant matters, in compliance with the "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019 (COVID-19)". The Group has maintained normal operations in its plants and so far, the pandemic has no significant impact on the Group's operations.

C. Chieftek Machinery (Kunshan) Co., Ltd., a subsidiary of the Group, has temporarily suspended work since April 6, 2022 to ensure the safety and health of its employees due to the local government's epidemic prevention measures relative to the COVID-19, and has applied for the resumption of work in accordance with the regulations.

13. SUPPLEMENTARY DISCLOSURES

(According to the regulatory requirement, only information for the three-month period ended March 31, 2022 is disclosed.)

(1) Significant transactions information

A. Loans to others: None.

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

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

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

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

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

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: 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 2.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 3.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 4.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 5.

(4) Major shareholders information

Major shareholders information: Refer to table 6.

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

| | For the three-month period ended March 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | CHIEFTEK PRECISION | Chieftek (Kunshan) | cpc Europa | cpc USA | Others | Total |
| Segment revenue | $ 301,004 | $ 111,242 | $ 81,630 | $ 47,292 | $ 2,532 | $ 543,700 |
| Inter-segment revenue | 122,514 | - | - | - | 2,532 | 125,046 |
| External revenue | 178,490 | 111,242 | 81,630 | 47,292 | - | 418,654 |
| Interest income | 9 | 185 | - | 32 | 14 | 240 |
| Depreciation and amortization | 21,271 | 95 | 518 | 111 | 761 | 22,756 |
| Capital expenditures | 48,245 | - | 78 | 58 | - | 48,381 |
| Interest expense | 3,056 | - | 41 | - | 602 | 3,699 |
| Segment pre-tax income | 80,787 | 21,092 | 8,485 | 10,379 | ( 34) | 120,709 |
| Segment assets | 2,775,210 | 263,937 | 115,944 | 122,839 | 250,357 | 3,528,287 |
| Segment liabilities | 1,356,622 | 11,536 | 18,185 | 1,131 | 85,259 | 1,472,733 |

(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, | |
|---|---|---|
| | 2022 | 2021 |
| Reportable segments pre-tax income | $ 112,803 | $ 120,743 |
| Other segments pre-tax gain | ( 18) | ( 34) |
| Inter segments gain | ( 19,062) | ( 32,898) |
| Profit before income tax | $ 93,723 | $ 87,811 |

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, 2022

Table 1

Expressed in thousands of NTD

| Real estate acquired by | Real estate acquired | Date of the event | Transaction amount | Status of payment | Counterparty | Relationship with the counterparty | If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Original owner who sold the real estate to the counterparty | Relationship between the original owner and the acquirer | Date of the original transaction | Amount | Basis or reference used in setting the price | Reason for acquisition of real estate and status of the real estate | Other commitments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CHIEFTEK PRECISION CO., LTD. | Sugu new factory construction phase II | May 17, 2019 | $ 454,419 | $ 401,680 | Hong Sheng Construction Corp. | — | — | — | — | $ - | Negotiation | Building for operation use. Under construction. | — |

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the three-month period ended March 31, 2022

Table 2 Expressed in thousands of NTD

| | | | | Transaction | | | |
|---|---|---|---|---|---|---|---|
| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | General ledger account | Amount | Transaction terms | Percentage of consolidated total operating revenues or total assets (Note 3) |
| 0 | CHIEFTEK PRECISION CO., LTD. | cpc Europa GmbH | 1 | Sales revenue | ($ 74,039) | 180 days after monthly-closing, T/T | (19%) |
| | | | | Accounts receivable | 73,055 | – | 2% |
| | | CHIEFTEK PRECISION USA CO., LTD. | 1 | Sales revenue | ( 33,944) | 180 days after monthly-closing, T/T | (9%) |
| | | | | Accounts receivable | 59,395 | – | 2% |
| | | Chieftek Machinery (Kunshan) Co., Ltd. | 1 | Sales revenue | ( 40,980) | 180 days after monthly-closing, T/T | (10%) |
| | | | | Accounts receivable | 88,760 | – | 2% |
| 1 | CHIEFTEK PRECISION USA CO., LTD. | CHIEFTEK PRECISION INTERNATINAL LLC | 3 | Rent payment | 2,500 | – | 1% |
| | | | | Refundable deposits | 1,431 | – | – |

(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 1:28.625) as of March 31, 2022.

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, 2022

Table 3

Expressed in thousands of NTD

| Investor | Investee | Location | Main business activities | Initial investment amount: Balance as of March 31, 2022 | Initial investment amount: Balance as of December 31, 2021 | Shares held as of March 31, 2022: Number of shares | Shares held as of March 31, 2022: Ownership (%) | Shares held as of March 31, 2022: Book value | Net profit (loss) of the investee for the three-month period ended March 31, 2022 | Investment income (loss) recognized by the Company for the three-month period ended March 31, 2022 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CHIEFTEK PRECISION CO., LTD. | CHIEFTEK PRECISION HOLDING CO., LTD. | Samoa | Professional investment | $ 152,263 | $ 152,263 | 5,100,000 | 100 | $ 201,976 | $ 5,962 | $ 5,962 | Subsidiary |
| | CHIEFTEK PRECISION INTERNATIONAL LLC | United States of America | Lease of real estate property | 110,054 | 110,054 | - | 100 | 103,207 | ( 18) | ( 18) | Subsidiary |
| | CHIEFTEK PRECISION USA CO., LTD. | United States of America | Sale of high precision linear motion components and rendering after -sale services | 50,027 | 50,027 | 1,660,000 | 100 | 55,515 | 10,221 | 10,221 | Subsidiary |
| | cpc Europa GmbH | Germany | Sale of high precision linear motion components and rendering after -sale services | 98,695 | 98,695 | - | 100 | 45,533 | 2,897 | 2,897 | Subsidiary |
| CHIEFTEK PRECISION HOLDING CO., LTD. | Chieftek Precision (Hong Kong) Co., Limited | Hong Kong | Professional investment | 27 | 27 | 927 | 100 | 27 | - | - | Subsidiary (Note 1) |

(Note 1) Not required to disclose income (loss) recognized by the Company.
(Note 2) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:28.625) as of March 31, 2022.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Basic information

For the three-month period ended March 31, 2022

Table 4

Expressed in thousands of NTD

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2022 | | Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2022 | Net income of investee for the three-month period ended March 31, 2022 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognized by the Company for the three-month period ended March 31, 2022 （Note 2） | Book value of investments in Mainland China as of March 31, 2022 | Accumulated amount of investment income remitted back to Taiwan as of March 31, 2022 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| Chieftek Machinery (Kunshan) Co., Ltd | Production, processing and sale of high precision linear motion components and rendering after-sale services | $ 145,988 | Note 1 | $ 145,988 | $ - | $ - | $ 145,988 | $ 5,962 | 100% | $ 5,962 | $ 206,189 | $ 221,687 | — |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2022 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3) |
|---|---|---|---|
| CHIEFTEK PRECISION CO., LTD. | $ 145,988 | $ 145,988 | $ 1,351,375 |

(Note 1) Through investing in an existing company in the third area (CHIEFTEK PRECISION HOLDING CO., LTD.) which then invested in the investee in Mainland China.
(Note 2) The investment income (loss) is recognized based on the investees' financial statements that were audited by the parent company's auditors for the three-month period ended March 31, 2022.
(Note 3) The ceiling amount is 60% of the higher of net worth or consolidated net worth.
(Note 4) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:28.625) as of March 31, 2022.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

For the three-month period ended March 31, 2022

Table 5

Expressed in thousands of NTD

| | Sales (purchase) | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements/guarantees or collaterals | | Financing | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investee in Mainland China | Amount | % | Amount | % | Balance at March 31, 2022 | % | Balance at March 31, 2022 | Purpose | Maximum balance during the three-month period ended March 31, 2022 | Balance at March 31, 2022 | Interest rate | Interest during the three-month period ended March 31, 2022 | Others |
| Chieftek Machinery (Kunshan) Co., Ltd | $ 40,980 | 13% | $ - | - | $ 88,760 | 22% | $ - | - | $ - | $ - | - | $ - | $ - |

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Major shareholders information

March 31, 2022

Table 6

Expressed in shares

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

Note: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements is different from the actual number of shares issued in dematerialised form because of the different calculation basis.