

**CHIEFTEK PRECISION CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 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 September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" 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 of insignificant consolidated subsidiaries and related information disclosed in Note 13 were not reviewed by independent auditors. Those statements reflect total assets of NT\$328,649 thousand and NT\$271,092 thousand, constituting 8% and 7% of the consolidated total assets, and total liabilities of NT\$94,731 thousand and NT\$84,304 thousand, both constituting 6% of the consolidated total liabilities as of September 30, 2022 and 2021, respectively, and total comprehensive income of NT\$6,529 thousand, NT\$5,907 thousand, NT\$27,448 thousand and NT\$27,702 thousand, constituting

6%, 6%, 10% and 12% of the consolidated total comprehensive income for the three-month and nine-month periods then ended, respectively.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent auditors as described in the Basis for qualified conclusion section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2022 and 2021, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Lin, Yung-Chih

Independent Auditors

Tien, Chung-Yu

PricewaterhouseCoopers, Taiwan

Republic of China

November 2, 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.

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2022 and 2021 are reviewed, not audited)

Assets	Notes	September 30, 2022		December 31, 2021		September 30, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 902,925	22	\$ 801,950	21	\$ 792,145	21
1136	Financial assets at amortized cost -	6(2) and 8						
	current		78,918	2	70,412	2	70,826	2
1150	Notes receivable, net	6(3)	19,063	1	46,317	1	31,540	1
1170	Accounts receivable, net	6(3) and 12	338,305	8	401,437	11	429,038	12
1200	Other receivables		14,845	1	6,756	-	5,341	-
130X	Inventories	6(4)	584,971	14	441,898	12	455,639	12
1410	Prepayments		52,298	1	45,386	1	44,874	1
11XX	Total current assets		<u>1,991,325</u>	<u>49</u>	<u>1,814,156</u>	<u>48</u>	<u>1,829,403</u>	<u>49</u>
Non-current assets								
1600	Property, plant and equipment	6(5) and 8	1,831,618	45	1,711,186	45	1,617,737	43
1755	Right-of-use assets	6(6)	125,586	3	123,377	3	124,933	3
1780	Intangible assets	6(7)	73,134	2	79,576	2	94,499	2
1840	Deferred income tax assets	6(23)	19,351	-	12,919	1	20,043	1
1915	Prepayments for equipment	6(5)	29,052	1	43,508	1	57,368	2
1920	Guarantee deposits paid		9,732	-	7,999	-	8,919	-
1990	Other non-current assets		3,788	-	4,478	-	3,355	-
15XX	Total non-current assets		<u>2,092,261</u>	<u>51</u>	<u>1,983,043</u>	<u>52</u>	<u>1,926,854</u>	<u>51</u>
1XXX	Total assets		<u>\$ 4,083,586</u>	<u>100</u>	<u>\$ 3,797,199</u>	<u>100</u>	<u>\$ 3,756,257</u>	<u>100</u>

(Continued)

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2022 and 2021 are reviewed, not audited)

Liabilities and Equity		Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Liabilities								
Current liabilities								
2100	Short-term borrowings	6(8)	\$ 275,000	7	\$ 230,000	6	\$ 370,000	10
2130	Current contract liabilities	6(16)	1,009	-	2,626	-	2,330	-
2150	Notes payable		137,934	3	161,421	4	177,006	5
2170	Accounts payable		63,553	1	49,456	1	55,402	1
2200	Other payables	6(9)	198,472	5	169,011	5	176,175	5
2230	Current income tax liabilities	6(23)	69,804	2	50,557	2	17,867	-
2280	Current lease liabilities	6(6)(20)	5,687	-	5,308	-	5,284	-
2320	Long-term liabilities, current portion	6(10), 8 and 9	89,455	2	78,553	2	71,933	2
21XX	Total current liabilities		<u>840,914</u>	<u>20</u>	<u>746,932</u>	<u>20</u>	<u>875,997</u>	<u>23</u>
Non-current liabilities								
2540	Long-term borrowings	6(10), 8 and 9	603,589	15	624,585	17	504,423	14
2570	Deferred income tax liabilities	6(23)	28,718	1	10,968	-	20,475	1
2580	Non-current lease liabilities	6(6)(20)	123,926	3	121,278	3	122,613	3
2640	Net defined benefit liabilities	6(11)	7,258	-	7,481	-	6,941	-
25XX	Total non-current liabilities		<u>763,491</u>	<u>19</u>	<u>764,312</u>	<u>20</u>	<u>654,452</u>	<u>18</u>
2XXX	Total liabilities		<u>1,604,405</u>	<u>39</u>	<u>1,511,244</u>	<u>40</u>	<u>1,530,449</u>	<u>41</u>
Equity								
Share capital								
3110	Common stock	6(12)(15)	892,619	22	811,876	21	811,876	21
Capital reserves								
3200	Capital surplus	6(14)	446,121	11	440,667	12	440,667	12
Retained earnings								
3310	Legal reserve	6(15)	213,096	5	182,266	5	182,266	5
3320	Special reserve		50,626	1	36,323	1	36,323	1
3350	Unappropriated retained earnings		898,176	22	891,999	23	831,078	22
3400	Other equity interest		(17,872)	-	(50,626)	(1)	(49,852)	(1)
3500	Treasury stocks	6(12)	(3,585)	-	(26,550)	(1)	(26,550)	(1)
3XXX	Total equity		<u>2,479,181</u>	<u>61</u>	<u>2,285,955</u>	<u>60</u>	<u>2,225,808</u>	<u>59</u>
Significant Contingent Liabilities and 6(6) and 9								
Unrecognized Contract Commitments								
3X2X	Total liabilities and equity		<u>\$ 4,083,586</u>	<u>100</u>	<u>\$ 3,797,199</u>	<u>100</u>	<u>\$ 3,756,257</u>	<u>100</u>

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2022		2021		2022		2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(16)	\$ 421,305	100	\$ 491,846	100	\$ 1,266,381	100	\$ 1,400,269	100
5000	Operating costs	6(4)(11)(13)(2)								
		1)(22)	(241,689)	(57)	(289,656)	(59)	(725,289)	(57)	(814,454)	(58)
5900	Net operating margin		179,616	43	202,190	41	541,092	43	585,815	42
	Operating expenses	6(7)(11)(13)(2)								
		1)(22) and 7								
6100	Selling expenses		(38,075)	(9)	(23,081)	(5)	(97,099)	(8)	(68,426)	(5)
6200	General and administrative expenses		(26,711)	(6)	(28,629)	(6)	(107,718)	(8)	(106,954)	(8)
6300	Research and development expenses		(18,847)	(5)	(17,024)	(3)	(57,308)	(5)	(60,439)	(4)
6450	Expected credit impairment (loss) gain	12	(71)	-	(1,499)	-	(19)	-	3,772	-
6000	Total operating expenses		(83,704)	(20)	(70,233)	(14)	(262,144)	(21)	(232,047)	(17)
6900	Operating profit		95,912	23	131,957	27	278,948	22	353,768	25
	Non-operating income and expenses									
7100	Interest income	6(2)(17)	549	-	880	-	1,742	-	1,475	-
7010	Other income	6(18)	2,368	-	1,885	1	3,987	1	8,679	1
7020	Other gains and losses	6(19) and 12	33,823	8	(4,408)	(1)	62,640	5	(20,358)	(1)
7050	Finance costs	6(6)(20)	(4,122)	(1)	(3,650)	(1)	(11,349)	(1)	(10,801)	(1)
7000	Total non-operating income and expenses		32,618	7	(5,293)	(1)	57,020	5	(21,005)	(1)
7900	Profit before income tax		128,530	30	126,664	26	335,968	27	332,763	24
7950	Income tax expense	6(23)	(38,891)	(9)	(29,006)	(6)	(82,801)	(7)	(85,370)	(6)
8200	Profit for the period		<u>\$ 89,639</u>	<u>21</u>	<u>\$ 97,658</u>	<u>20</u>	<u>\$ 253,167</u>	<u>20</u>	<u>\$ 247,393</u>	<u>18</u>
	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		\$ 16,159	4	(\$ 1,760)	-	\$ 32,754	3	(\$ 13,529)	(1)
8300	Total other comprehensive income (loss) for the period		<u>\$ 16,159</u>	<u>4</u>	<u>(\$ 1,760)</u>	<u>-</u>	<u>\$ 32,754</u>	<u>3</u>	<u>(\$ 13,529)</u>	<u>(1)</u>
8500	Total comprehensive income for the period		<u>\$ 105,798</u>	<u>25</u>	<u>\$ 95,898</u>	<u>20</u>	<u>\$ 285,921</u>	<u>23</u>	<u>\$ 233,864</u>	<u>17</u>
	Earnings per share (in dollars)	6(24)								
9750	Basic		<u>\$ 1.01</u>		<u>\$ 1.10</u>		<u>\$ 2.85</u>		<u>\$ 2.78</u>	
9850	Diluted		<u>\$ 1.00</u>		<u>\$ 1.09</u>		<u>\$ 2.84</u>		<u>\$ 2.77</u>	

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	Share capital - common stock	Capital reserve	Retained Earnings			Other Equity Interest	Treasury stocks	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		
<u>For the nine-month period ended September 30, 2021</u>									
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		-	-	-	-	247,393	-	-	247,393
Other comprehensive loss for the period		-	-	-	-	-	(13,529)	-	(13,529)
Total comprehensive income (loss) for the period		-	-	-	-	247,393	(13,529)	-	233,864
Appropriations of 2020 earnings									
Legal reserve		-	-	20,250	-	(20,250)	-	-	-
Special reserve	6(15)	-	-	-	6,929	(6,929)	-	-	-
Cash dividends	6(15)	-	-	-	-	(121,114)	-	-	(121,114)
Balance at September 30, 2021		\$ 811,876	\$ 440,667	\$ 182,266	\$ 36,323	\$ 831,078	(\$ 49,852)	(\$ 26,550)	\$ 2,225,808
<u>For the nine-month period ended September 30, 2022</u>									
Balance at January 1, 2022		\$ 811,876	\$ 440,667	\$ 182,266	\$ 36,323	\$ 891,999	(\$ 50,626)	(\$ 26,550)	\$ 2,285,955
Profit for the period		-	-	-	-	253,167	-	-	253,167
Other comprehensive income for the period		-	-	-	-	-	32,754	-	32,754
Total comprehensive income for the period		-	-	-	-	253,167	32,754	-	285,921
Appropriations of 2021 earnings									
Legal reserve		-	-	30,830	-	(30,830)	-	-	-
Special reserve	6(15)	-	-	-	14,303	(14,303)	-	-	-
Cash dividends	6(15)	-	-	-	-	(121,114)	-	-	(121,114)
Stock dividends	6(12)(15)	80,743	-	-	-	(80,743)	-	-	-
Compensation cost recognized for transfer of treasury stocks	6(13)	-	5,534	-	-	-	-	-	5,534
Treasury stocks transferred to employees	6(12)(14)	-	(80)	-	-	-	-	26,550	26,470
Purchase of treasury stocks	6(12)	-	-	-	-	-	-	(3,585)	(3,585)
Balance at September 30, 2022		\$ 892,619	\$ 446,121	\$ 213,096	\$ 50,626	\$ 898,176	(\$ 17,872)	(\$ 3,585)	\$ 2,479,181

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	For the nine-month periods ended	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 335,968	\$ 332,763
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss (gain)	12	19	(3,772)
Loss on inventory market price decline	6(4)	8,221	677
Depreciation	6(5)(6)(21)	56,811	58,296
Gain on disposal of property, plant and equipment	6(19)	(19)	-
Amortization	6(7)(21)	7,394	7,959
Prepayment for equipment transferred to loss		78	-
Interest income	6(17)	(1,742)	(1,475)
Interest expense	6(20)	11,349	10,801
Compensation cost recognized for transfer of treasury stocks	6(13)	5,534	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		27,254	(3,773)
Accounts receivable		62,713	(79,755)
Other receivables		(8,089)	4,174
Inventories		(152,769)	102,559
Prepayments		(6,912)	(8,825)
Changes in operating liabilities			
Current contract liabilities		(1,617)	(2,477)
Notes payable		11,171	67,001
Accounts payable		14,097	6,191
Other payables		22,676	66,337
Net defined benefit liabilities		(223)	(222)
Cash inflow generated from operations		391,914	556,459
Interest received		1,742	1,475
Interest paid		(11,300)	(10,864)
Income tax received		10	-
Income tax paid		(52,246)	(44,334)
Net cash flows from operating activities		<u>330,120</u>	<u>502,736</u>

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CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	For the nine-month periods ended	
		2022	September 30, 2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at amortized cost - current		(\$ 8,506)	(\$ 63,466)
Cash paid for acquisition of property, plant and equipment	6(25)	(153,038)	(99,336)
Proceeds from disposal of property, plant and equipment		19	-
Acquisition of intangible assets	6(7)	(952)	(878)
Increase in prepayments for equipment		(13,790)	(21,897)
(Increase) decrease in guarantee deposits paid		(1,733)	856
Decrease in other non-current assets		690	1,957
Net cash flows used in investing activities		(177,310)	(182,764)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings	6(26)	45,000	(8,136)
Payments of lease liability	6(26)	(4,200)	(3,903)
Increase in long-term borrowings	6(26)	100,000	100,000
Decrease in long-term borrowings	6(26)	(121,807)	(134,410)
Payments of cash dividends	6(15)	(121,114)	(121,114)
Treasury stocks transferred to employees	6(12)	26,470	-
Net cash flows used in financing activities		(75,651)	(167,563)
Effect of foreign exchange rate changes on cash and cash equivalents		23,816	(14,861)
Net increase in cash and cash equivalents		100,975	137,548
Cash and cash equivalents at beginning of period	6(1)	801,950	654,597
Cash and cash equivalents at end of period	6(1)	\$ 902,925	\$ 792,145

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 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 November 2, 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:

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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

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

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

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

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

- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
CHIEFTEK PRECISION CO., LTD. ("CHIEFTEK PRECISION")	CHIEFTEK PRECISION HOLDING CO., LTD.	Professional investment	100	100	100	-
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION INTERNATIONAL LLC	Lease of real estate property	100	100	100	Note 1
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION USA CO., LTD. ("cpc USA")	Sales of high precision linear motion components and rendering after-sales service	100	100	100	Note 1
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH ("cpc Europa")	Sales of high precision linear motion components and rendering after-sales service	100	100	100	-

Name of investor	Name of subsidiary	Business activities	Ownership (%)			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
CHIEFTEK PRECISION HOLDING CO., LTD.	Chieftek Machinery (Kunshan) Co., Ltd. (“Chieftek (Kunshan)”)	Production, processing and sales of high precision linear motion components and after-sales service	100	100	100	Note 2
CHIEFTEK PRECISION HOLDING CO., LTD.	CHIEFTEK PRECISION (Hong Kong) Co., Limited	Professional investment	100	100	100	-

Note 1: The financial statements of the entity as of and for the nine-month periods ended September 30, 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

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) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.
- B. When treasury stocks are transferred to employees, the granted date is the date that subscription price and number of treasury stocks transferred to employees are resolved by the Board of Directors.

(6) Income tax

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

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

There have been no significant changes as of September 30, 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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash:			
Cash on hand	\$ 1,521	\$ 1,294	\$ 1,249
Checking accounts and demand deposits	900,076	799,322	789,516
	<u>901,597</u>	<u>800,616</u>	<u>790,765</u>
Cash Equivalents:			
Time deposits	1,328	1,334	1,380
	<u>\$ 902,925</u>	<u>\$ 801,950</u>	<u>\$ 792,145</u>

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

B. The Group has no cash and cash equivalents pledged to others as of September 30, 2022, December 31, 2021 and September 30, 2021.

(2) Financial assets at amortized cost - current

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Restricted demand deposits (Note)	\$ 61,913	\$ 63,206	\$ 63,587
Restricted time deposits	8,700	-	-
Time deposits with maturity of over 3 months	<u>8,305</u>	<u>7,206</u>	<u>7,239</u>
	<u>\$ 78,918</u>	<u>\$ 70,412</u>	<u>\$ 70,826</u>

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

A. The Group recognized interest income of \$39, \$12, \$86 and \$43 from financial assets at amortized cost for the three-month and nine-month periods ended September 30, 2022 and 2021, respectively, shown as part of "Interest Income".

B. As of September 30, 2022, December 31, 2021 and September 30, 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. For more information about the Group's time deposits pledged to others as collateral as of September 30, 2022, refer to Note 8, 'Pledged assets'. There was no such situation as of December 31, 2021 and September 30, 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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Notes receivable	<u>\$ 19,063</u>	<u>\$ 46,317</u>	<u>\$ 31,540</u>
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts receivable	\$ 354,665	\$ 417,378	\$ 449,673
Less: Allowance for doubtful accounts	(<u>16,360</u>)	(<u>15,941</u>)	(<u>20,635</u>)
	<u>\$ 338,305</u>	<u>\$ 401,437</u>	<u>\$ 429,038</u>

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

	September 30, 2022		December 31, 2021		September 30, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 284,147	\$ 18,884	\$ 358,480	\$ 46,143	\$ 393,666	\$ 31,368
Up to 30 days	23,998	-	19,335	-	18,635	-
31 to 90 days	24,242	-	21,394	-	17,173	-
91 to 180 days	5,854	-	1,313	-	780	-
Over 180 days	16,424	179	16,856	174	19,419	172
	<u>\$ 354,665</u>	<u>\$ 19,063</u>	<u>\$ 417,378</u>	<u>\$ 46,317</u>	<u>\$ 449,673</u>	<u>\$ 31,540</u>

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 September 30, 2022, December 31, 2021 and September 30, 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

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

	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
	<u>\$ 510,806</u>	<u>(\$ 68,908)</u>	<u>\$ 441,898</u>

September 30, 2021			
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 65,387	(\$ 3,772)	\$ 61,615
Supplies	78,693	(10,163)	68,530
Work in process	247,282	(17,716)	229,566
Finished goods	129,899	(33,971)	95,928
	<u>\$ 521,261</u>	<u>(\$ 65,622)</u>	<u>\$ 455,639</u>

The cost of inventories recognized as expense for the period:

	For the three-month periods ended September 30,	
	2022	2021
Cost of goods sold	\$ 236,730	\$ 288,592
Allowance for inventory market price decline	5,825	97
(Gain) loss on physical inventory	(754)	1,058
Revenue from sale of scraps	(112)	(91)
	<u>\$ 241,689</u>	<u>\$ 289,656</u>
	For the nine-month periods ended September 30,	
	2022	2021
Cost of goods sold	\$ 718,039	\$ 813,311
Allowance for inventory market price decline	8,221	677
(Gain) loss on physical inventory	(488)	864
Revenue from sale of scraps	(483)	(398)
	<u>\$ 725,289</u>	<u>\$ 814,454</u>

(5) Property, plant and equipment

		Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements and other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>At January 1, 2022</u>								
Cost	\$ 365,709	\$ 748,444	\$ 957,336	\$ 5,747	\$ 22,229	\$ 175,530	\$ 659,736	\$ 2,934,731
Accumulated depreciation	-	(186,939)	(864,267)	(4,110)	(20,147)	(148,082)	-	(1,223,545)
	<u>\$ 365,709</u>	<u>\$ 561,505</u>	<u>\$ 93,069</u>	<u>\$ 1,637</u>	<u>\$ 2,082</u>	<u>\$ 27,448</u>	<u>\$ 659,736</u>	<u>\$ 1,711,186</u>
<u>2022</u>								
At January 1, 2022	\$ 365,709	\$ 561,505	\$ 93,069	\$ 1,637	\$ 2,082	\$ 27,448	\$ 659,736	\$ 1,711,186
Additions	26,601	2,133	4,923	-	1,059	1,321	85,494	121,531
Transferred from prepayments for equipment	-	-	-	-	-	-	28,168	28,168
Transferred after acceptance inspection	-	726	-	-	-	620	(1,346)	-
Depreciation	-	(16,233)	(24,399)	(436)	(891)	(9,834)	-	(51,793)
Disposals – Cost	-	-	(682)	(1,440)	(62)	(85)	-	(2,269)
– Accumulated depreciation	-	-	682	1,440	62	85	-	2,269
Net currency exchange differences	7,302	15,081	41	3	101	(2)	-	22,526
At September 30, 2022	<u>\$ 399,612</u>	<u>\$ 563,212</u>	<u>\$ 73,634</u>	<u>\$ 1,204</u>	<u>\$ 2,351</u>	<u>\$ 19,553</u>	<u>\$ 772,052</u>	<u>\$ 1,831,618</u>
<u>At September 30, 2022</u>								
Cost	\$ 399,612	\$ 770,135	\$ 962,584	\$ 4,335	\$ 23,508	\$ 177,406	\$ 772,052	\$ 3,109,632
Accumulated depreciation	-	(206,923)	(888,950)	(3,131)	(21,157)	(157,853)	-	(1,278,014)
	<u>\$ 399,612</u>	<u>\$ 563,212</u>	<u>\$ 73,634</u>	<u>\$ 1,204</u>	<u>\$ 2,351</u>	<u>\$ 19,553</u>	<u>\$ 772,052</u>	<u>\$ 1,831,618</u>

		Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements and other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>At January 1, 2021</u>								
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)
	<u>\$ 367,121</u>	<u>\$ 584,000</u>	<u>\$ 113,113</u>	<u>\$ 1,874</u>	<u>\$ 2,868</u>	<u>\$ 19,381</u>	<u>\$ 443,763</u>	<u>\$ 1,532,120</u>
<u>2021</u>								
At January 1, 2021	\$ 367,121	\$ 584,000	\$ 113,113	\$ 1,874	\$ 2,868	\$ 19,381	\$ 443,763	\$ 1,532,120
Additions	-	657	4,032	285	569	2,346	122,526	130,415
Transferred from prepayments for equipment	-	-	-	-	-	-	13,003	13,003
Transferred after acceptance inspection	-	193	9,324	-	-	13,138	(22,655)	-
Depreciation	-	(15,398)	(28,065)	(390)	(1,341)	(8,434)	-	(53,628)
Disposals — Cost	-	-	(137)	(790)	(928)	(14)	-	(1,869)
— Accumulated depreciation	-	-	137	790	928	14	-	1,869
Net currency exchange differences	(1,112)	(2,422)	(525)	(3)	(14)	(97)	-	(4,173)
At September 30, 2021	<u>\$ 366,009</u>	<u>\$ 567,030</u>	<u>\$ 97,879</u>	<u>\$ 1,766</u>	<u>\$ 2,082</u>	<u>\$ 26,334</u>	<u>\$ 556,637</u>	<u>\$ 1,617,737</u>
<u>At September 30, 2021</u>								
Cost	\$ 366,009	\$ 748,933	\$ 956,165	\$ 6,232	\$ 21,939	\$ 171,377	\$ 556,637	\$ 2,827,292
Accumulated depreciation	-	(181,903)	(858,286)	(4,466)	(19,857)	(145,043)	-	(1,209,555)
	<u>\$ 366,009</u>	<u>\$ 567,030</u>	<u>\$ 97,879</u>	<u>\$ 1,766</u>	<u>\$ 2,082</u>	<u>\$ 26,334</u>	<u>\$ 556,637</u>	<u>\$ 1,617,737</u>

- A. Property, plant and equipment of the Group were all for operating purposes as of September 30, 2022, December 31, 2021 and September 30, 2021.
- B. For the three-month and nine-month periods ended September 30, 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 September 30, 2022, December 31, 2021 and September 30, 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:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Land	\$ 125,586	\$ 123,377	\$ 124,933

Depreciation charge:

	<u>For the three-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 1,673	\$ 1,556
	<u>For the nine-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 5,018	\$ 4,668

- C. For the three-month and nine-month periods ended September 30, 2022 and 2021, there were no additions to right-of-use assets; revaluations to right-of-use assets were \$—, \$— and \$7,227, \$—, respectively.
- D. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the three-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 586	\$ 578
Expense on short-term lease contracts	\$ 2,190	\$ 3,004
	<u>For the nine-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,778	\$ 1,753
Expense on short-term lease contracts	\$ 8,299	\$ 8,992

- E. For the nine-month periods ended September 30, 2022 and 2021, the Group’s total cash outflow for leases were \$14,277 and \$14,648, respectively.

(7) Intangible assets

	<u>Trademarks</u>	<u>Patents</u>	<u>Software</u>	<u>Turn-key professional technique</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2022</u>						
Cost	\$ 578	\$ 11,333	\$ 12,712	\$ 90,718	\$ 60,000	\$ 175,341
Accumulated amortization	(578)	(4,430)	(12,613)	(18,144)	(13,500)	(49,265)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	<u>\$ -</u>	<u>\$ 6,903</u>	<u>\$ 99</u>	<u>\$ 72,574</u>	<u>\$ -</u>	<u>\$ 79,576</u>
<u>2022</u>						
Net value at January 1, 2022	\$ -	\$ 6,903	\$ 99	\$ 72,574	\$ -	\$ 79,576
Additions—acquired separately	107	321	524	-	-	952
Amortization	(4)	(534)	(53)	(6,803)	-	(7,394)
Net value at September 30, 2022	<u>\$ 103</u>	<u>\$ 6,690</u>	<u>\$ 570</u>	<u>\$ 65,771</u>	<u>\$ -</u>	<u>\$ 73,134</u>
<u>At September 30, 2022</u>						
Cost	\$ 685	\$ 11,654	\$ 13,232	\$ 90,718	\$ 60,000	\$ 176,289
Accumulated amortization	(582)	(4,964)	(12,662)	(24,947)	(13,500)	(56,655)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	<u>\$ 103</u>	<u>\$ 6,690</u>	<u>\$ 570</u>	<u>\$ 65,771</u>	<u>\$ -</u>	<u>\$ 73,134</u>

	<u>Trademarks</u>	<u>Patents</u>	<u>Software</u>	<u>Turn-key professional technique</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2021</u>						
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	<u>\$ -</u>	<u>\$ 6,382</u>	<u>\$ 693</u>	<u>\$ 81,646</u>	<u>\$ 12,874</u>	<u>\$ 101,595</u>
<u>2021</u>						
Net value at January 1, 2021	\$ -	\$ 6,382	\$ 693	\$ 81,646	\$ 12,874	\$ 101,595
Additions — acquired separately	-	752	126	-	-	878
Amortization	-	(525)	(630)	(6,804)	-	(7,959)
Net currency exchange differences	-	-	(15)	-	-	(15)
Net value at September 30, 2021	<u>\$ -</u>	<u>\$ 6,609</u>	<u>\$ 174</u>	<u>\$ 74,842</u>	<u>\$ 12,874</u>	<u>\$ 94,499</u>
<u>At September 30, 2021</u>						
Cost	\$ 578	\$ 10,858	\$ 12,783	\$ 90,718	\$ 60,000	\$ 174,937
Accumulated amortization	(578)	(4,249)	(12,609)	(15,876)	(13,500)	(46,812)
Accumulated impairment	-	-	-	-	(33,626)	(33,626)
Net value	<u>\$ -</u>	<u>\$ 6,609</u>	<u>\$ 174</u>	<u>\$ 74,842</u>	<u>\$ 12,874</u>	<u>\$ 94,499</u>

A. For the three-month and nine-month periods ended September 30, 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 September 30,	
	2022	2021
General and administrative expenses	\$ -	\$ 194
Research and development expenses	2,474	2,453
	<u>\$ 2,474</u>	<u>\$ 2,647</u>
	For the nine-month periods ended September 30,	
	2022	2021
General and administrative expenses	\$ 12	\$ 605
Research and development expenses	7,382	7,354
	<u>\$ 7,394</u>	<u>\$ 7,959</u>

(8) Short-term borrowings

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

Nature	December 31, 2021	Interest rate range	Collateral
Bank unsecured borrowings	<u>\$ 230,000</u>	0.57%~0.85%	None

Nature	September 30, 2021	Interest rate range	Collateral
Bank unsecured borrowings	<u>\$ 370,000</u>	0.51%~0.90%	None

For more information about interest expense recognized by the Group for the three-month and nine-month periods ended September 30, 2022 and 2021, refer to Note 6(20), 'Finance costs'.

(9) Other payables

	September 30, 2022	December 31, 2021	September 30, 2021
Accrued salaries and bonuses	\$ 78,684	\$ 72,660	\$ 77,078
Employees' compensation and directors' and supervisors' remuneration payable	24,572	27,000	47,500
Equipment payable	18,358	15,207	4,319
Others	76,858	54,144	47,278
	<u>\$ 198,472</u>	<u>\$ 169,011</u>	<u>\$ 176,175</u>

(10) Long-term borrowings

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

<u>Nature</u>	<u>Expiry date</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
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)		
		<u>\$ 624,585</u>		

<u>Nature</u>	<u>Expiry date</u>	<u>September 30, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Long-term bank borrowings				
Secured borrowings	May 15, 2027 ~ December 28, 2027	\$ 366,356	1.04% ~ 2.81%	Land, buildings and structures
Unsecured borrowings	November 20, 2023 ~ May 15, 2027	210,000	1.14% ~ 1.30%	None
		576,356		
Less: Current portion		(71,933)		
		<u>\$ 504,423</u>		

For more information about interest expense recognized by the Group for the three-month and nine-month periods ended September 30, 2022 and 2021, refer to Note 6(20), 'Finance costs'.

(11) Pensions

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

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

(b) No pension cost was recognized under the aforementioned defined benefit pension plan of the Company for the three-month and nine-month periods ended September 30, 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 and nine-month periods ended September 30, 2022 and 2021 were \$4,917, \$4,764, \$14,974 and \$13,254, respectively.

(12) Share capital

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

	<u>For the nine-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Balance at beginning of period	80,743	80,743
Stock dividends	8,074	-
Treasury stocks transferred to employees	445	-
Purchase of treasury stocks	(52)	-
Balance at end of period	<u>89,210</u>	<u>80,743</u>

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

C. Treasury stocks

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

	<u>For the nine-month period ended September 30, 2022</u>			
	Shares at			Shares at end
<u>Reason for reacquisition</u>	<u>beginning</u>	<u>Increase</u>	<u>Decrease</u>	<u>of period</u>
	<u>of period</u>			
To be reissued to employees	<u>445</u>	<u>52</u>	<u>(445)</u>	<u>52</u>
	<u>For the nine-month period ended September 30, 2021</u>			
	Shares at			Shares at end
<u>Reason for reacquisition</u>	<u>beginning</u>	<u>Increase</u>	<u>Decrease</u>	<u>of period</u>
	<u>of period</u>			
To be reissued to employees	<u>445</u>	<u>-</u>	<u>-</u>	<u>445</u>

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. For the nine-month period ended September 30, 2022, treasury stocks purchased by the Company amounted to \$3,585 (52 thousand shares).
As of September 30, 2022, December 31, 2021 and September 30, 2021, the treasury shares amounted to \$3,585, \$26,550 and \$26,550, respectively.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should be reissued to the employees within 5 years from the reacquisition date and shares not reissued within the 5 year period are to be retired.
- (e) For the nine-month period ended September 30, 2022, the Company transferred treasury stocks to employees amounting to \$26,550 (445 thousand shares). The proceeds amounting to \$26,550 (net of related securities transaction tax amounting to \$26,470) and the difference of \$80 were recognized as deduction from capital surplus.
- D. As of September 30, 2022, the Company's authorized capital was \$1,500,000 (including \$30,000 reserved for employee stock options), and the paid-in capital was \$892,619 (89,262 thousand shares) with par value of \$10 (in dollars) per share.

(13) Share-based payment

For the nine-month period ended September 30, 2022, the recognized compensation cost of treasury stock transferred to employees was \$5,534. The related details were as follows:

Type of arrangement	Grant date	Quantity granted (thousand shares)	Contract period	Vesting conditions
Treasury stocks transferred to employees	September 21, 2022	445	—	Vested immediately

There was no such situation for the nine-month period ended September 30, 2021.

(14) Capital reserve

For the nine-month period ended September 30, 2022	Share premium	Treasury share transactions	Employee stock options	Others	Total
Balances at beginning of period	\$ 440,553	\$ -	\$ -	\$ 114	\$ 440,667
Compensation cost recognized for transfer of treasury stocks	-	-	5,534	-	5,534
Treasury stocks transferred to employees	-	5,454	(5,534)	-	(80)
Balances at end of period	<u>\$ 440,553</u>	<u>\$ 5,454</u>	<u>\$ -</u>	<u>\$ 114</u>	<u>\$ 446,121</u>

For the nine-month period ended September 30, 2021	Share premium	Others	Total
Balances at beginning and end of period	<u>\$ 440,553</u>	<u>\$ 114</u>	<u>\$ 440,667</u>

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

(15) Retained earnings

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

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

(1) pay all taxes and dues;

- (2) offset any loss of prior years;
 - (3) set aside 10% as legal reserve;
 - (4) set aside or reverse special reserve as required by regulations or the Competent Authority;
 - (5) The appropriation of the remaining amount after deducting items (1) to (4), along with the unappropriated retained earnings of prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the shareholders' meeting. However, the distribution of dividends shall not be lower than 20% of the current year's profit after deducting items (1) to (4). In order to continually expand the scale of operations, increase competitiveness and support the Company's long-term development plans, future capital requirements and long-term financial plan, the Company's dividend policy is to distribute stock dividends and partially as cash dividends. Cash dividends shall not be less than 10% of the total dividends distributed to shareholders. The Board of Directors of the Company shall adopt a resolution by a majority of more than two-thirds of the directors present to distribute whole or a part of the distributable dividends, bonuses, capital reserves or legal reserve in the form of cash, and report to the shareholders during their meetings. The above is not subject to provisions that require shareholders' approval.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. As of December 31, 2021, pursuant to the regulations for the deduction amount to stockholders' equity from other equity items, the Company has set aside special reserve of \$50,626, which cannot be distributed to shareholders.
- D. The Company recognized cash dividends distributed to owners both amounting to \$121,114 (\$1.5 (in dollars) per share) for the nine-month periods ended September 30, 2022 and 2021. On May 27, 2022, the Company's stockholders resolved for the distribution of stock dividends from 2021 earnings in the amount of \$80,743 (\$1.0 (in dollars) per share).

(16) Operating revenue

	<u>For the three-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	<u>\$ 421,305</u>	<u>\$ 491,846</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	<u>\$ 1,266,381</u>	<u>\$ 1,400,269</u>

- A. The Group derives revenue from the transfer of goods at a point in time in segments. Refer to Note 14, 'Segment information' for details.

B. The Group has recognized revenue-related contract liabilities amounting to \$1,009, \$2,626, \$2,330 and \$4,807 as of September 30, 2022, December 31, 2021, September 30, 2021 and January 1, 2021, respectively. Revenue recognized that were included in the contract liability balance at the beginning of 2022 and 2021 for the three-month and nine-month periods ended September 30, 2022 and 2021 were \$277, \$—, \$1,451 and \$4,418, respectively.

(17) Interest income

	For the three-month periods ended September 30,	
	2022	2021
Interest income from bank deposits	\$ 510	\$ 868
Interest income from financial assets measured at amortized cost	39	12
	<u>\$ 549</u>	<u>\$ 880</u>
	For the nine-month periods ended September 30,	
	2022	2021
Interest income from bank deposits	\$ 1,656	\$ 1,432
Interest income from financial assets measured at amortized cost	86	43
	<u>\$ 1,742</u>	<u>\$ 1,475</u>

(18) Other income

	For the three-month periods ended September 30,	
	2022	2021
Government grants revenue	\$ -	(\$ 316)
Other income – others	2,368	2,201
	<u>\$ 2,368</u>	<u>\$ 1,885</u>
	For the nine-month periods ended September 30,	
	2022	2021
Government grants revenue	\$ -	\$ 4,684
Other income – others	3,987	3,995
	<u>\$ 3,987</u>	<u>\$ 8,679</u>

(19) Other gains and losses

	For the three-month periods ended September 30,	
	2022	2021
Currency exchange gain (loss)	\$ 33,823	(\$ 4,408)

	<u>For the nine-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Currency exchange gain (loss)	\$ 62,622	(\$ 20,213)
Gain on disposal of property, plant and equipment	19	-
Other losses	(1)	(145)
	<u>\$ 62,640</u>	<u>(\$ 20,358)</u>

(20) Finance costs

	<u>For the three-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Interest expense:		
Interest expense on bank borrowings	\$ 3,536	\$ 3,072
Interest expense on lease liabilities	586	578
	<u>\$ 4,122</u>	<u>\$ 3,650</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Interest expense:		
Interest expense on bank borrowings	\$ 9,571	\$ 9,048
Interest expense on lease liabilities	1,778	1,753
	<u>\$ 11,349</u>	<u>\$ 10,801</u>

(21) Expenses by nature

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

	<u>For the three-month period ended September 30, 2021</u>		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expense	\$ 74,764	\$ 37,093	\$ 111,857
Depreciation	12,555	5,982	18,537
Amortization	-	2,647	2,647
	<u>\$ 87,319</u>	<u>\$ 45,722</u>	<u>\$ 133,041</u>

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

For the nine-month period ended September 30, 2021

	Operating cost	Operating expense	Total
Employee benefit expense	\$ 221,715	\$ 145,205	\$ 366,920
Depreciation	40,799	17,497	58,296
Amortization	-	7,959	7,959
	<u>\$ 262,514</u>	<u>\$ 170,661</u>	<u>\$ 433,175</u>

(22) Employee benefit expense

For the three-month period ended September 30, 2022

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

For the three-month period ended September 30, 2021

	Operating cost	Operating expense	Total
Wages and salaries	\$ 62,129	\$ 32,146	\$ 94,275
Labor and health insurance expense	6,697	2,328	9,025
Pension costs	3,341	1,423	4,764
Other personnel expenses	2,597	1,196	3,793
	<u>\$ 74,764</u>	<u>\$ 37,093</u>	<u>\$ 111,857</u>

For the nine-month period ended September 30, 2022

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

For the nine-month period ended September 30, 2021

	Operating cost	Operating expense	Total
Wages and salaries	\$ 186,956	\$ 129,913	\$ 316,869
Labor and health insurance expense	18,438	7,333	25,771
Pension costs	8,999	4,255	13,254
Other personnel expenses	7,322	3,704	11,026
	<u>\$ 221,715</u>	<u>\$ 145,205</u>	<u>\$ 366,920</u>

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 3% to 15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the three-month and nine-month periods ended September 30, 2022 and 2021, the Company's employees' compensation were \$7,809, \$1,572, \$20,477 and \$22,000, respectively; while directors' remuneration were \$1,561, (\$445), \$4,095 and \$5,000, 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. The employees' compensation and directors' remuneration for 2021 have not yet been distributed.

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.

(23) Income tax

A. Income tax expense:

Components of income tax expense:

	For the three-month periods ended September 30,	
	2022	2021
Current income tax:		
Income tax incurred in current period	\$ 28,503	\$ 24,150
Deferred income tax:		
Origination and reversal of temporary differences	10,388	4,856
Income tax expense	<u>\$ 38,891</u>	<u>\$ 29,006</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Current income tax:		
Income tax incurred in current period	\$ 73,013	\$ 72,948
Prior year income tax (over) underestimation	(1,530)	5,803
Total current income tax	<u>71,483</u>	<u>78,751</u>
Deferred income tax:		
Origination and reversal of temporary differences	<u>11,318</u>	<u>6,619</u>
Income tax expense	<u>\$ 82,801</u>	<u>\$ 85,370</u>

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 November 2, 2022.

(24) Earnings per share ("EPS")

	<u>For the three-month period ended September 30, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 89,639</u>	<u>88,894</u>	<u>\$ 1.01</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 89,639	88,894	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>305</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 89,639</u>	<u>89,199</u>	<u>\$ 1.00</u>

<u>For the three-month period ended September 30, 2021</u>			
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 97,658	88,817	\$ 1.10
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 97,658	88,817	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	437	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 97,658	89,254	\$ 1.09
<u>For the nine-month period ended September 30, 2022</u>			
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 253,167	88,843	\$ 2.85
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 253,167	88,843	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	331	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 253,167	89,174	\$ 2.84

	<u>For the nine-month period ended September 30, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>EPS (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 247,393	88,817	\$ 2.78
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 247,393	88,817	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	466	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 247,393	89,283	\$ 2.77

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

(25) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>For the nine-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Purchase of property, plant and equipment	\$ 121,531	\$ 130,415
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	(979)	(43,816)
Ending balance of payable for equipment	(18,358)	(4,319)
Cash paid during the period	<u>\$ 153,038</u>	<u>\$ 99,336</u>

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

	<u>For the nine-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
(a) Write-offs of allowance for bad debts	<u>\$ -</u>	<u>\$ 827</u>
(b) Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 28,168</u>	<u>\$ 13,003</u>
(c) Unpaid cash for purchase of treasury stocks (listed as 'other payables')	<u>\$ 3,585</u>	<u>\$ -</u>

(26) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Lease liability</u>	<u>Long-term borrowings</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2022	\$ 230,000	\$ 126,586	\$ 703,138	\$ 1,059,724
Changes in cash flow from financing activities	45,000	(4,200)	(21,807)	18,993
Changes in cash flow from other non-financing activities	-	7,227	-	7,227
Impact of changes in foreign exchange rate	-	-	11,713	11,713
At September 30, 2022	<u>\$ 275,000</u>	<u>\$ 129,613</u>	<u>\$ 693,044</u>	<u>\$ 1,097,657</u>

	<u>Short-term borrowings</u>	<u>Lease liability</u>	<u>Long-term borrowings</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2021	\$ 379,012	\$ 131,800	\$ 612,642	\$ 1,123,454
Changes in cash flow from financing activities	(8,136)	(3,903)	(34,410)	(46,449)
Impact of changes in foreign exchange rate	(876)	-	(1,876)	(2,752)
At September 30, 2021	<u>\$ 370,000</u>	<u>\$ 127,897</u>	<u>\$ 576,356</u>	<u>\$ 1,074,253</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

None.

(2) Key management compensation

	<u>For the three-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	<u>\$ 8,321</u>	<u>\$ 4,614</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	<u>\$ 22,632</u>	<u>\$ 23,720</u>

8. PLEDGED ASSETS

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

Asset pledged	Book value			Purpose of collateral
	September 30, 2022	December 31, 2021	September 30, 2021	
Restricted time deposits (Note 1)	\$ 8,700	\$ -	\$ -	Performance guarantee
Land (Note 2)	372,891	365,709	366,009	Guarantee for long- term borrowings
Buildings and structures-net (Note 2)	542,712	538,453	542,624	Guarantee for long- term borrowings
	<u>\$ 924,303</u>	<u>\$ 904,162</u>	<u>\$ 908,633</u>	

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group's remaining balance due for construction in progress and prepayments for equipment were \$202,377, \$165,890 and \$333,193, respectively.

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

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

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

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

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

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

As of September 30, 2022, the Company has not violated any of the above covenants.

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

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

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

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

- (iv) The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, as the objective of the net investments in foreign operations is for strategic purposes, the Group does not hedge the investments.
- (v) The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD, the subsidiaries' functional currency: USD, EUR and CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

				<u>September 30, 2022</u>		
				<u>Foreign currency</u>	<u>Exchange</u>	<u>Book value</u>
				<u>amount (in thousands)</u>	<u>rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	10,655	31.75	\$	338,308	
JPY:NTD		87,271	0.2201		19,208	
EUR:NTD		4,625	31.26		144,564	
<u>Financial liabilities</u>						
<u>Monetary items</u>						
EUR:NTD		589	31.26		18,413	
				<u>December 31, 2021</u>		
				<u>Foreign currency</u>	<u>Exchange</u>	<u>Book value</u>
				<u>amount (in thousands)</u>	<u>rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	16,887	27.68	\$	467,427	
JPY:NTD		86,150	0.2405		20,719	
EUR:NTD		4,721	31.32		147,855	
<u>Financial liabilities</u>						
<u>Monetary items</u>						
JPY:NTD		4,840	0.2405		1,164	
EUR:NTD		753	31.32		23,905	

	September 30, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 20,967	27.85	\$ 584,014
JPY:NTD	96,096	0.2490	23,928
EUR:NTD	6,040	32.32	195,202
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	12	27.85	340
JPY:NTD	7,171	0.2490	1,785
EUR:NTD	724	32.32	23,406

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 nine-month periods ended September 30, 2022 and 2021 would increase/decrease by \$3,869 and \$6,221, 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 and nine-month periods ended September 30, 2022 and 2021 amounted to \$33,823, (\$4,408), \$62,622 and (\$20,213), respectively.

II. Price risk

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

III. Cash flow and fair value interest rate risk

- (i) The Group's main interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. However, partial interest rate risk is offset by cash and cash equivalents held at variable rates. For the nine-month periods ended September 30, 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in NTD and USD.
- (ii) The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- (iii) If the borrowing interest rate had increased/decreased by 10% with all other variables held constant, profit, net of tax for the nine-month periods ended September 30, 2022 and 2021 would have decreased/increased by \$766 and \$724, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- II. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored.
- III. The Group manages its credit risk, whereby if the contract payments are past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition and the impairment is assessed when the contract payments are past due over certain days.
- IV. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group's written-off financial assets that are still under recourse procedures amounted to \$3,895, \$3,895 and \$3,905, 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:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 15,941	\$ 26,070
Provision for (reversal of) impairment	19 (3,772)
Write-offs	- (827)
Effect of foreign exchange	400 (836)
At September 30	<u>\$ 16,360</u>	<u>\$ 20,635</u>

(c) Liquidity risk

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Floating rate:			
Expiring within one year	\$ 875,200	\$ 976,000	\$ 826,200
Expiring beyond one year	<u>2,760,000</u>	<u>2,760,000</u>	<u>2,900,000</u>
	<u>\$ 3,635,200</u>	<u>\$ 3,736,000</u>	<u>\$ 3,726,200</u>

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

<u>September 30, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 275,960	\$ -	\$ -	\$ -
Notes payable	137,934	-	-	-
Accounts payable	63,553	-	-	-
Other payables	198,472	-	-	-
Lease liability	7,970	7,970	23,909	113,569
Long-term borrowings (including current portion)	100,380	196,490	352,971	76,319

<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 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
<u>September 30, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 370,715	\$ -	\$ -	\$ -
Notes payable	177,006	-	-	-
Accounts payable	55,402	-	-	-
Other payables	176,175	-	-	-
Lease liability	7,539	7,539	22,618	114,976
Long-term borrowings (including current portion)	79,937	109,588	295,920	121,621

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

(3) Fair value information

A. As of September 30, 2022, December 31, 2021 and September 30, 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 countries have taken preventive measures, which have reduced business activities and affected the sales of some operating entities of the Group. 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 the subsidiary resumed production on May 5, 2022 as approved by the local government.

13. SUPPLEMENTARY DISCLOSURES

(According to the regulatory requirement, only information for the nine-month period ended September 30, 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: Refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting period: None.
- J. Significant inter-company transactions during the reporting period: Refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 7.

(4) Major shareholders information

Major shareholders information: Refer to table 8.

14. SEGMENT INFORMATION

(1) General information

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

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

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

	For the nine-month period ended September 30, 2022					
	<u>CHIEFTEK PRECISION</u>	<u>Chieftek (Kunshan)</u>	<u>cpc Europa</u>	<u>cpc USA</u>	<u>Others</u>	<u>Total</u>
Segment revenue	\$ 1,112,598	\$ 216,447	\$ 345,630	\$ 176,451	\$ 7,852	\$ 1,858,978
Inter-segment revenue	582,997	-	1,748	-	7,852	592,597
External revenue	529,601	216,447	343,882	176,451	-	1,266,381
Interest income	188	1,459	-	65	30	1,742
Depreciation and amortization	59,636	130	1,127	950	2,362	64,205
Capital expenditures	107,357	96	28,372	448	-	136,273
Interest expense	9,544	-	-	-	1,805	11,349
Segment pre-tax income	316,701	18,420	26,288	30,393	1,721	393,523
Segment assets	3,186,164	323,149	245,585	120,251	208,437	4,083,586
Segment liabilities	1,456,290	10,065	43,318	4,173	90,559	1,604,405

For the nine-month period ended September 30, 2021

	<u>CHIEFTEK PRECISION</u>	<u>Chieftek (Kunshan)</u>	<u>cpc Europa</u>	<u>cpc USA</u>	<u>Others</u>	<u>Total</u>
Segment revenue	\$ 1,056,991	\$ 322,337	\$ 301,115	\$ 141,829	\$ 7,512	\$ 1,829,784
Inter-segment revenue	421,876	17	110	-	7,512	429,515
External revenue	635,115	322,320	301,005	141,829	-	1,400,269
Interest income	75	1,284	-	74	42	1,475
Depreciation and amortization	61,659	217	1,790	330	2,259	66,255
Capital expenditures	152,224	36	494	436	-	153,190
Interest expense	8,976	-	41	-	1,784	10,801
Segment pre-tax income	296,725	60,167	32,004	29,307	1,590	419,793
Segment assets	3,085,433	282,375	117,322	86,953	184,174	3,756,257
Segment liabilities	1,421,794	8,214	16,137	2,365	81,939	1,530,449

(3) Reconciliation for segment income

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

	For the nine-month periods ended September 30,	
	<u>2022</u>	<u>2021</u>
Reportable segments pre-tax income	\$ 391,802	\$ 418,203
Other segments pre-tax gain	1,721	1,590
Inter segments gain	(57,555)	(87,030)
Profit before income tax	<u>\$ 335,968</u>	<u>\$ 332,763</u>

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

For the nine-month period ended September 30, 2022

Table 1

Expressed in thousands of NTD

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

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
CHIEFTEK PRECISION CO., LTD.	Sugu new factory construction phase II	May 17, 2019	\$ 454,419	\$ 442,154	Hong Sheng Construction Corp.	—	—	—	—	\$ -	Negotiation	Building for operation use Under construction	—

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the nine-month period ended September 30, 2022

Table 2

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	Subsidiary	(Sales)	(\$ 298,469)	(27%)	(Note 1)	\$ -	(Note 2)	\$ 166,993	36%	—
	CHIEFTEK PRECISION USA CO., LTD.	Subsidiary	(Sales)	(102,015)	(9%)	(Note 1)	-	(Note 2)	39,837	9%	—
	Chieftek Machinery (Kunshan) Co., Ltd.	Subsidiary	(Sales)	(182,513)	(16%)	(Note 1)	-	(Note 2)	113,390	24%	—
cpc Europa GmbH	CHIEFTEK PRECISION CO., LTD.	Parent company	Purchases	298,469	85%	(Note 1)	-	(Note 3)	(166,993)	(100%)	—
CHIEFTEK PRECISION USA CO., LTD.	CHIEFTEK PRECISION CO., LTD.	Parent company	Purchases	102,015	100%	(Note 1)	-	(Note 3)	(39,837)	(100%)	—
Chieftek Machinery (Kunshan) Co., Ltd.	CHIEFTEK PRECISION CO., LTD.	Parent company	Purchases	182,513	100%	(Note 1)	-	(Note 3)	(113,390)	(100%)	—

(Note 1) 180 days after monthly- closing, T/T.

(Note 2) The Company's collection terms to third parties are 30 to 180 days after monthly statements.

(Note 3) The Company's collection terms to third parties are 30 to 60 days after monthly statements.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

September 30, 2022

Table 3

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as of September 30, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
CHIEFTEK PRECISION CO., LTD.	Chieftek Machinery (Kunshan) Co., Ltd.	Subsidiary	\$ 113,390	3.07	\$ -	—	\$ 41,922	\$ -
	cpc Europa GmbH	Subsidiary	166,993	3.50	-	—	31,164	-

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the nine-month period ended September 30, 2022

Table 4

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	Sales revenue	(\$ 298,469)	180 days after monthly-closing, T/T	(24%)
				Accounts receivable	166,993	—	4%
				Other payables	(1,539)	—	—
		CHIEFTEK PRECISION USA CO., LTD.	1	Sales revenue	(120,015)	180 days after monthly-closing, T/T	(8%)
				Accounts receivable	39,837	—	1%
				Chieftek Machinery (Kunshan) Co., Ltd.	1	Sales revenue	(182,513)
Accounts receivable	113,390	—	3%				
1	CHIEFTEK PRECISION USA CO., LTD.	CHIEFTEK PRECISION INTERNATINAL LLC	3	Rent payment	7,852	—	1%
				Refundable deposits	1,588	—	—

(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 1:31.75) as of September 30, 2022.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

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

For the nine-month period ended September 30, 2022

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of September 30, 2022			Net profit (loss) of the investee for the nine-month period ended September 30, 2022	Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2022	Footnote
				Balance as of September 30, 2022	Balance as of December 31, 2021	Number of shares	Ownership (%)	Book value			
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION HOLDING CO., LTD.	Samoa	Professional investment	\$ 152,263	\$ 152,263	5,100,000	100	\$ 199,706	\$ 12,016	\$ 12,016	Subsidiary
	CHIEFTEK PRECISION INTERNATIONAL LLC	United States of America	Lease of real estate property	110,054	110,054	-	100	116,252	1,624	1,624	Subsidiary
	CHIEFTEK PRECISION USA CO., LTD.	United States of America	Sales of high precision linear motion components and rendering after-sale services	50,027	50,027	1,660,000	100	77,728	25,824	25,824	Subsidiary
	cpc Europa GmbH	Germany	Sales of high precision linear motion components and rendering after-sale services	98,695	98,695	-	100	36,833	18,091	18,091	Subsidiary
CHIEFTEK PRECISION HOLDING CO., LTD.	Chieftek Precision (Hong Kong) Co., Limited	Hong Kong	Professional investment	29	26	927	100	29	-	-	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 1:31.75) as of September 30, 2022.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Basic information

For the nine-month period ended September 30, 2022

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022	Net income of investee for the nine-month period ended September 30, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine-month period ended September 30, 2022 (Note 2)	Book value of investments in Mainland China as of September 30, 2022	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chieftek Machinery (Kunshan) Co., Ltd	Production, processing and sales of high precision linear motion components and rendering after-sale services	\$ 161,925	Note 1	\$ 161,925	\$ -	\$ -	\$ 161,925	\$ 12,016	100%	\$ 12,016	\$ 210,769	\$ 221,687	—

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 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.	\$ 161,925	\$ 161,925	\$ 1,487,509

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

(Note 2) The investment income (loss) is recognized based on the investees' financial statements that were reviewed by the parent company's auditors for the nine-month period ended September 30, 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 1:31.75) as of September 30, 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 nine-month period ended September 30, 2022

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Sales (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the nine-month period ended September 30, 2022	Others
	Amount	%	Amount	%	Balance at September 30, 2022	%	Balance at September 30, 2022	Purpose	Maximum balance during the nine-month period ended September 30, 2022	Balance at September 30, 2022	Interest rate		
Chieftek Machinery (Kunshan) Co., Ltd	\$ 182,513	14%	\$ -	-	\$ 113,390	3%	\$ -	-	\$ -	\$ -	-	\$ -	\$ -

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Major shareholders information

September 30, 2022

Table 8

Expressed in shares

Name of the major shareholder	Number of shares		Ownership (%)
	Common stock		
Hsu, Ming-Che	6,137,271	6.87%	
Xinzhide Investment Co., Ltd.	4,871,100	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.