

Tongtai Machine & Tool Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2023 and 2022 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Tongtai Machine & Tool Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Tongtai Machine & Tool Co., Ltd. (the "Company") and its subsidiaries as of March 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, and related notes, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the 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" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the 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 standard on review engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". 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

As disclosed in Note 11 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated statements were not reviewed. As of March 31, 2023 and 2022, the combined total assets of these non-significant subsidiaries were NT\$5,855,140 thousand and NT\$5,161,673 thousand, representing 38% and 32%, respectively, of the consolidated total assets; the combined total liabilities of these non-significant subsidiaries were NT\$4,138,950 thousand and NT\$3,401,456 thousand, representing 42% and 33%, respectively, of the consolidated total liabilities. For the three months ended March 31, 2023 and 2022, the amounts of the combined comprehensive income (loss) of these non-significant subsidiaries were NT\$(9,045) thousand and NT\$(22,264) thousand, representing 33% and 54%, respectively, of the consolidated total comprehensive income.

In addition, as disclosed in Note 12 to the consolidated financial statements, the total carrying amounts of the investments accounted for using the equity method were NT\$7,828 thousand and NT\$8,129 thousand as of March 31, 2023 and 2022, respectively; the share of profit (loss) of associates accounted for using the equity method were NT\$(287) thousand and NT\$232 thousand for the three months ended March 31, 2023 and 2022, respectively. The amounts of the related equity-method investments were based on the equity-method investees' unreviewed financial statements for the same reporting periods.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and other equity-method investees' as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2023 and 2022, its consolidated financial performance for the three months ended March 31, 2023 and 2022, and its consolidated cash flows for three months ended March 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Lee-Yuan Kuo and Chao-Chun Wang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 11, 2023

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

| ASSETS | March 31, 2023 (Reviewed) | | December 31, 2022 (Audited) | | March 31, 2022 (Reviewed) | |
|--|---------------------------|------------|-----------------------------|------------|---------------------------|------------|
| | Amount | % | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Note 6) | \$ 1,588,727 | 10 | \$ 1,208,827 | 8 | \$ 1,612,566 | 10 |
| Financial assets at fair value through profit or loss - current (Note 7) | 6 | - | 11,948 | - | 30,160 | - |
| Notes receivable, net (Notes 9 and 34) | 471,201 | 3 | 518,373 | 3 | 315,256 | 2 |
| Accounts receivable, net (Note 9) | 2,455,653 | 16 | 2,540,617 | 17 | 2,627,472 | 16 |
| Accounts receivable - related parties (Notes 9 and 33) | 3,271 | - | 4,643 | - | 5,032 | - |
| Other receivables (Note 33) | 101,874 | 1 | 83,581 | 1 | 163,015 | 1 |
| Current tax assets | 25,589 | - | 24,743 | - | 12,126 | - |
| Inventories (Note 10) | 5,601,069 | 36 | 5,438,914 | 37 | 5,845,508 | 37 |
| Other financial assets - current (Notes 13 and 34) | 222,110 | 1 | 198,985 | 1 | 152,560 | 1 |
| Other current assets | 261,807 | 2 | 254,527 | 2 | 280,453 | 2 |
| Total current assets | <u>10,731,307</u> | <u>69</u> | <u>10,285,158</u> | <u>69</u> | <u>11,044,148</u> | <u>69</u> |
| NON-CURRENT ASSETS | | | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Note 8) | 185,685 | 1 | 159,663 | 1 | 184,203 | 1 |
| Investments accounted for using the equity method (Note 12) | 7,828 | - | 8,115 | - | 8,129 | - |
| Property, plant and equipment (Notes 14 and 34) | 2,693,573 | 18 | 2,733,936 | 18 | 2,968,402 | 19 |
| Right-of-use assets (Note 15) | 688,190 | 5 | 568,069 | 4 | 584,487 | 4 |
| Investment properties (Notes 16 and 34) | 503,518 | 3 | 508,290 | 4 | 431,705 | 3 |
| Intangible assets (Note 17) | 57,624 | - | 42,453 | - | 41,145 | - |
| Deferred tax assets | 407,318 | 3 | 416,476 | 3 | 444,928 | 3 |
| Refundable deposits | 25,435 | - | 20,656 | - | 20,700 | - |
| Long-term notes and accounts receivable (Note 9) | 12,800 | - | 16,440 | - | 23,068 | - |
| Net defined benefit assets (Note 4) | 3,148 | - | 3,148 | - | - | - |
| Other financial assets - non-current (Notes 13 and 34) | 139,112 | 1 | 97,299 | 1 | 110,280 | 1 |
| Other non-current assets (Note 9) | 39,636 | - | 44,041 | - | 46,096 | - |
| Total non-current assets | <u>4,763,867</u> | <u>31</u> | <u>4,618,586</u> | <u>31</u> | <u>4,863,143</u> | <u>31</u> |
| TOTAL | <u>\$15,495,174</u> | <u>100</u> | <u>\$ 14,903,744</u> | <u>100</u> | <u>\$15,907,291</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term borrowings (Notes 18 and 34) | \$ 3,032,893 | 20 | \$ 2,731,921 | 18 | \$ 2,637,442 | 17 |
| Short-term bills payable (Note 18) | 249,951 | 2 | 49,852 | - | 469,920 | 3 |
| Contract liabilities - current (Notes 24 and 33) | 1,351,467 | 9 | 1,125,643 | 8 | 1,367,049 | 9 |
| Notes payable (Note 19) | 210,409 | 1 | 260,104 | 2 | 145,466 | 1 |
| Accounts payable (Note 19) | 1,212,279 | 8 | 1,242,596 | 8 | 1,417,167 | 9 |
| Accounts payable - related parties (Notes 19 and 33) | 46,830 | - | 62,084 | 1 | 65,673 | - |
| Other payables (Notes 20 and 33) | 592,878 | 4 | 687,868 | 5 | 671,471 | 4 |
| Current tax liabilities | 28,035 | - | 34,747 | - | 20,224 | - |
| Provisions - current (Note 21) | 103,322 | 1 | 95,291 | 1 | 90,196 | 1 |
| Lease liabilities - current (Note 15) | 36,085 | - | 35,476 | - | 33,457 | - |
| Current portion of long-term bank borrowings (Notes 18 and 34) | 791,516 | 5 | 446,840 | 3 | 1,036,772 | 6 |
| Other current liabilities | 37,248 | - | 40,735 | - | 31,373 | - |
| Total current liabilities | <u>7,692,913</u> | <u>50</u> | <u>6,813,157</u> | <u>46</u> | <u>7,986,210</u> | <u>50</u> |
| NON-CURRENT LIABILITIES | | | | | | |
| Long-term bank borrowings (Notes 18 and 34) | 1,276,123 | 8 | 1,708,176 | 11 | 1,526,536 | 10 |
| Deferred tax liabilities | 68,778 | 1 | 71,431 | 1 | 69,759 | - |
| Lease liabilities - noncurrent (Note 15) | 667,995 | 4 | 546,596 | 4 | 560,909 | 3 |
| Net defined benefit liabilities (Note 4) | 66,722 | - | 67,281 | - | 95,547 | 1 |
| Guarantee deposits received | 21,233 | - | 22,769 | - | 6,500 | - |
| Total non-current liabilities | <u>2,100,851</u> | <u>13</u> | <u>2,416,253</u> | <u>16</u> | <u>2,259,251</u> | <u>14</u> |
| Total liabilities | <u>9,793,764</u> | <u>63</u> | <u>9,229,410</u> | <u>62</u> | <u>10,245,461</u> | <u>64</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 23 and 28) | | | | | | |
| Ordinary shares | 2,548,265 | 16 | 2,548,265 | 17 | 2,548,265 | 16 |
| Capital surplus | 1,195,552 | 8 | 1,195,552 | 8 | 1,194,096 | 8 |
| Retained earnings | | | | | | |
| Legal reserve | 743,589 | 5 | 743,589 | 5 | 731,144 | 5 |
| Special reserve | 89,749 | 1 | 89,749 | 1 | 89,749 | - |
| Unappropriated earnings | 507,384 | 3 | 513,566 | 3 | 477,731 | 3 |
| Total retained earnings | <u>1,340,722</u> | <u>9</u> | <u>1,346,904</u> | <u>9</u> | <u>1,298,624</u> | <u>8</u> |
| Other equity | 8,201 | - | (19,839) | - | 25,284 | - |
| Total equity attributable to owners of the Company | <u>5,092,740</u> | <u>33</u> | <u>5,070,882</u> | <u>34</u> | <u>5,066,269</u> | <u>32</u> |
| NON-CONTROLLING INTERESTS (Note 23) | <u>608,670</u> | <u>4</u> | <u>603,452</u> | <u>4</u> | <u>595,561</u> | <u>4</u> |
| Total equity | <u>5,701,410</u> | <u>37</u> | <u>5,674,334</u> | <u>38</u> | <u>5,661,830</u> | <u>36</u> |
| TOTAL | <u>\$15,495,174</u> | <u>100</u> | <u>\$ 14,903,744</u> | <u>100</u> | <u>\$15,907,291</u> | <u>100</u> |

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' reviewed report dated May 11, 2023)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (losses) Per Share) (Reviewed, Not Audited)

| Amount | For the Three Months Ended March 31 | | | |
|---|-------------------------------------|--------------|-------------------|--------------|
| | 2023 | | 2022 | |
| | Amount | % | Amount | % |
| OPERATING REVENUES (Note 24 and 33) | \$ 1,735,734 | 100 | \$ 1,663,572 | 100 |
| OPERATING COSTS (Notes 10, 25 and 33) | <u>1,343,824</u> | <u>78</u> | <u>1,339,407</u> | <u>81</u> |
| GROSS PROFIT | <u>391,910</u> | <u>22</u> | <u>324,165</u> | <u>19</u> |
| OPERATING EXPENSES (Notes 9, 25 and 33) | | | | |
| Selling and marketing expenses | 209,831 | 12 | 199,460 | 12 |
| General and administrative expenses | 138,026 | 8 | 131,937 | 8 |
| Research and development expenses | 65,259 | 4 | 58,338 | 3 |
| Expected credit loss (gain) | (<u>27,719</u>) | (<u>2</u>) | <u>10,235</u> | <u>1</u> |
| Total operating expenses | <u>385,397</u> | <u>22</u> | <u>399,970</u> | <u>24</u> |
| PROFIT (LOSS) FROM OPERATIONS | <u>6,513</u> | <u>-</u> | (<u>75,805</u>) | (<u>5</u>) |
| NON-OPERATING INCOME AND EXPENSES (Notes 12, 25 and 33) | | | | |
| Interest income | 6,118 | 1 | 1,937 | - |
| Other income | 21,652 | 1 | 24,082 | 1 |
| Other gains and losses | (2,588) | - | 78,573 | 5 |
| Finance costs | (31,363) | (2) | (20,925) | (1) |
| Share of profits (loss) of associates | (<u>287</u>) | <u>-</u> | <u>232</u> | <u>-</u> |
| Total non-operating income and expenses | (<u>6,468</u>) | <u>-</u> | <u>83,899</u> | <u>5</u> |
| PROFIT BEFORE INCOME TAX | 45 | - | 8,094 | - |
| INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 26) | <u>712</u> | <u>-</u> | (<u>1,694</u>) | <u>-</u> |
| NET PROFIT (LOSS) FOR THE PERIOD | (<u>667</u>) | <u>-</u> | <u>\$ 9,788</u> | <u>-</u> |

(Continued)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (losses) Per Share) (Reviewed, Not Audited)

| | For the Three Months Ended March 31 | | | |
|---|-------------------------------------|----------|------------------|----------|
| | 2023 | | 2022 | |
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 23 and 26) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income | \$ 26,022 | 2 | (10,328) | (1) |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations | 2,225 | - | 52,684 | 3 |
| Income tax relating to items that may be reclassified subsequently to profit or loss | (504) | - | (10,546) | - |
| Other comprehensive loss for the year, net of income tax | <u>27,743</u> | <u>2</u> | <u>31,810</u> | <u>2</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 27,076</u> | <u>2</u> | <u>\$ 41,598</u> | <u>2</u> |
| NET PROFIT (LOSS) ATTRIBUTABLE TO: | | | | |
| Owners of the Company | (\$ 6,182) | - | \$ 3,181 | - |
| Non-controlling interests | <u>5,515</u> | - | <u>6,607</u> | <u>1</u> |
| | (\$ 667) | - | \$ 9,788 | <u>1</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ 21,858 | 1 | \$ 35,035 | 2 |
| Non-controlling interests | <u>5,218</u> | <u>1</u> | <u>6,563</u> | - |
| | <u>\$ 27,076</u> | <u>2</u> | <u>\$ 41,598</u> | <u>2</u> |
| EARNINGS (LOSSES) PER SHARE (Note 27) | | | | |
| Basic | (\$ 0.02) | | \$ 0.01 | |
| Diluted | (0.02) | | 0.01 | |

(Concluded)

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

(With Deloitte & Touche auditors' reviewed report dated May 11, 2023)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | Equity Attributable to Owners of the Company | | | | | | | | | | |
|--|--|-----------------|-------------------|-----------------|-------------------------|---|---|--------------------|--|---------------------------|--------------|
| | Ordinary Shares | Capital Surplus | Retained Earnings | | | Exchange Differences on Translating Equity Operations | Other Equity | | Total Equity Attributable to Owners of the Company | Non-controlling Interests | Total Equity |
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | | Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Total Other Equity | | | |
| BALANCE AT JANUARY 1, 2023 | \$ 2,548,265 | \$ 1,195,552 | \$ 743,589 | \$ 89,749 | \$ 513,566 | (\$ 120,957) | \$ 101,118 | (\$ 19,839) | \$ 5,070,882 | \$ 603,452 | \$ 5,674,334 |
| Net profit (loss) for the three months ended March 31, 2023 | - | - | - | - | (6,182) | - | - | - | (6,182) | 5,515 | (667) |
| Other comprehensive income (loss) for the three months ended March 31, 2023, net of income tax | - | - | - | - | - | 2,018 | 26,022 | 28,040 | 28,040 | (297) | 27,743 |
| Total comprehensive income (loss) for the three months ended March 31, 2023 | - | - | - | - | (6,182) | 2,018 | 26,022 | 28,040 | 21,858 | 5,218 | 27,076 |
| BALANCE AT MARCH 31, 2023 | \$ 2,548,265 | \$ 1,195,552 | \$ 743,589 | \$ 89,749 | \$ 507,384 | (\$ 118,939) | \$ 127,140 | \$ 8,201 | \$ 5,092,740 | \$ 608,670 | \$ 5,701,410 |
| BALANCE AT JANUARY 1, 2022 | \$ 2,548,265 | \$ 1,194,096 | \$ 731,144 | \$ 89,749 | \$ 474,550 | (\$ 142,556) | \$ 135,986 | (\$ 6,570) | \$ 5,031,234 | \$ 594,998 | \$ 5,626,232 |
| Net profit for the three months ended March 31, 2022 | - | - | - | - | 3,181 | - | - | - | 3,181 | 6,607 | 9,788 |
| Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax | - | - | - | - | - | 42,182 | (10,328) | 31,854 | 31,854 | (44) | 31,810 |
| Total comprehensive income (loss) for the three months ended March 31, 2022 | - | - | - | - | 3,181 | 42,182 | (10,328) | 31,854 | 35,035 | 6,563 | 41,598 |
| Adjustment of non-controlling interests (Note 23) | - | - | - | - | - | - | - | - | - | (6,000) | (6,000) |
| BALANCE AT MARCH 31, 2022 | \$ 2,548,265 | \$ 1,194,096 | \$ 731,144 | \$ 89,749 | \$ 477,731 | (\$ 100,374) | \$ 125,658 | \$ 25,284 | \$ 5,066,269 | \$ 595,561 | \$ 5,661,830 |

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

(With Deloitte & Touche auditors' reviewed report dated May 11, 2023)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

| | For the Three Months Ended March 31 | |
|---|-------------------------------------|----------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | \$ 45 | \$ 8,094 |
| Adjustments for: | | |
| Depreciation expense | 70,639 | 75,148 |
| Amortization expense | 9,138 | 7,895 |
| Expected credit losses (profit) | (27,719) | 10,235 |
| Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss | 1,542 | (5,351) |
| Finance costs | 31,363 | 20,925 |
| Interest income | (6,118) | (1,937) |
| Share of loss (profit) of associates | 287 | (232) |
| Gain on disposal of property, plant and equipment | (246) | (1,225) |
| Impairment loss recognized on nonfinancial assets | - | 16,944 |
| Gain on reversal of impairment loss on nonfinancial assets | (9,212) | - |
| Recognition of provisions | 39,499 | 32,437 |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | 10,400 | (250) |
| Notes receivable and long-term notes and accounts receivable | 50,812 | 218,238 |
| Accounts receivable | 111,673 | 288,329 |
| Accounts receivable - related parties | 1,372 | 316 |
| Other receivables | (19,445) | (27,333) |
| Inventories | (159,932) | (373,616) |
| Other current assets | (7,280) | (4,947) |
| Contract liabilities | 225,824 | 236,847 |
| Notes payable | (49,695) | (11,448) |
| Accounts payable | (30,317) | (218,920) |
| Accounts payable - related parties | (15,254) | 441 |
| Other payables | (96,459) | (61,697) |
| Provisions | (31,922) | (36,290) |
| Advance received | (3,487) | (6,927) |
| Net defined benefit liabilities | (<u>559</u>) | <u>3,615</u> |
| Cash generated from operations | 94,949 | 169,291 |
| Interest received | 7,270 | 2,180 |
| Interest paid | (33,150) | (21,783) |
| Income taxes paid | (<u>2,269</u>) | (<u>950</u>) |
| Net cash generated from operating activities | <u>66,800</u> | <u>148,738</u> |

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TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

| | For the Three Months Ended March 31 | |
|---|--|------------------------------------|
| | 2023 | 2022 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (\$ 12,098) | (\$ 13,053) |
| Proceeds from disposal of property, plant and equipment | 1,884 | 1,467 |
| Increase in refundable deposits | (4,779) | - |
| Decrease in refundable deposits | - | 3,060 |
| Acquisition of intangible assets | (9,216) | (1,283) |
| Increase in other financial assets | (64,938) | (18,404) |
| Increase in other non-current assets | - | (5,587) |
| Decrease in other non-current assets | <u>261</u> | <u>-</u> |
| Net cash used in investing activities | (<u>88,886</u>) | (<u>33,800</u>) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 1,061,534 | 573,177 |
| Repayments of short-term borrowings | (767,540) | (616,760) |
| Increase in short-term bills payable | 200,099 | - |
| Decrease in short-term bills payable | - | (49,990) |
| Proceeds from long-term bank borrowings | - | 9,435 |
| Repayments of long-term bank borrowings | (90,920) | (41,801) |
| Guarantee deposits received | - | 161 |
| Guarantee deposits refunded | (1,536) | - |
| Repayment of principle of lease liabilities | (9,476) | (11,757) |
| Decrease in non-controlling interests | <u>-</u> | (<u>6,000</u>) |
| Net cash generated from (used in) financing activities | <u>392,161</u> | (<u>143,535</u>) |
| EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | | |
| | <u>9,825</u> | <u>63,742</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 379,900 | 35,145 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | <u>1,208,827</u> | <u>1,577,421</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>\$ 1,588,727</u> | <u>\$ 1,612,566</u> (Concluded) |

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' reviewed report dated May 11, 2023)

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED March 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Tongtai Machine & Tool Co., Ltd. (the “Company”) was incorporated in January 1969. It is mainly engaged in the manufacturing and selling of machine tools, computer components, computer numerical control lathes and cutting centers.

The Company’s shares have been listed on the Taiwan Stock Exchange since September 15, 2003.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Company’s board of directors and approved for issue on May 11, 2023.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the accounting policies of the company and its subsidiaries.

- b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

| New, Revised or Amended Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|--|--|
| 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 “Leases Liability in a Sale and Leaseback” | January 1, 2024 (Note 2) |
| IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information” | January 1, 2023 |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2024 |
| Amendments to IAS 1 “Non-current Liabilities with Covenants” | January 1, 2024 |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were approved by the Company's board of directors and authorized for issue, the Company and its subsidiaries are continuously assessing the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on their financial position and results of operations. The related impact will be disclosed when the Company completes its evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. The consolidated financial statements do not present full disclosures required for a complete set of IFRSs annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of preparation

Refer to Note 11, Table 6 and Table 7 for the detail information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, refer to the summary of significant accounting policy and basis of preparation in the consolidated financial statements for the year ended December 31, 2022.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated on an interim period's pre-tax income by applying to the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2022.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---------------------------|------------------------------|---------------------------|
| Cash on hand | \$ 4,817 | \$ 4,850 | \$ 6,393 |
| Checking accounts and demand deposits | 1,402,057 | 1,017,733 | 1,554,629 |
| Cash in transit | 3,636 | - | - |
| Cash equivalents | | | |
| Time deposits with original maturities of less than three months | 54,974 | 124,398 | 22,876 |
| Cash equivalents - Bonds with repurchase agreements | <u>123,243</u> | <u>61,846</u> | <u>28,668</u> |
| | <u>\$ 1,588,727</u> | <u>\$ 1,208,827</u> | <u>\$ 1,612,566</u> |

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|--|---------------------------|------------------------------|---------------------------|
| <u>Financial assets at FVTPL - current</u> | | | |
| Financial assets mandatorily classified as at FVTPL | | | |
| Derivative financial assets | | | |
| Cross-currency swap contracts | \$ - | \$ 11,948 | \$ 5,537 |
| Foreign exchange forward contracts | 6 | - | - |
| Non-derivative financial assets | | | |
| Mutual funds | <u>-</u> | <u>-</u> | <u>24,623</u> |
| | <u>\$ 6</u> | <u>\$ 11,948</u> | <u>\$ 30,160</u> |

- a. At the balance sheet date, outstanding cross-currency swap contracts not accounted for by hedge accounting were as follows:

| <u>Notional Amounts (In Thousands)</u> | <u>Maturity Date</u> | <u>Range of interest Rates Paid (%)</u> | <u>Range of Interest Rates Received</u> |
|--|----------------------|---|---|
| <u>December 31, 2022</u> | | | |
| USD2,000 / NTD55,700 | 2023.02 | 0.91 | SOFR+0.68 |
| USD2,000 / NTD55,700 | 2023.02 | 0.91 | SOFR+0.68 |
| <u>March 31, 2022</u> | | | |
| USD4,000 / NTD111,960 | 2022.05 | 0.93 | 1M Libor+0.55 |
| USD4,000 / NTD111,400 | 2023.02 | 0.91 | SOFR+0.68 |

- b. At the balance sheet date, outstanding foreign exchange forward contracts not accounted for by hedge accounting were as follows:

| | <u>Currency</u> | <u>Maturity Date</u> | <u>Contract Amounts (In Thousands)</u> |
|--------------------------|-----------------|----------------------|--|
| <u>March 31, 2023</u> | | | |
| Foreign exchange forward | MYR / USD | 2023.07 | MYR450 / USD100 |

The Company and its subsidiaries entered into cross-currency swap contracts and foreign exchange forward contracts to manage exposures to exchange rate and interest rate fluctuations of foreign currency denominated assets and liabilities. For the three months ended March 31, 2023 and 2022, the Company and its subsidiaries recognized gain (loss) on cross-currency swap contracts and foreign exchange forward contracts not accounted for by hedge accounting in the amounts of NT\$(1,542) thousand and NT\$7,691 thousand, respectively, included in gain (loss) on financial instruments at fair value through profit or loss.

For the three months ended March 31, 2022, the Company entered into mutual funds financial products and recognized loss in the amounts of NT\$2,340 thousand, included in gain (loss) on financial instruments at fair value through profit or loss.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|---|---------------------------|------------------------------|---------------------------|
| <u>Investment in equity instruments</u> | | | |
| Domestic investments | | | |
| Listed shares | \$ 151,114 | \$ 123,364 | \$ 148,523 |
| Unlisted shares | 34,571 | 36,299 | 35,680 |
| | <u>\$ 185,685</u> | <u>\$ 159,663</u> | <u>\$ 184,203</u> |

9. NOTES AND ACCOUNTS RECEIVABLE (INCLUDING RELATED PARTIES), LONG-TERM NOTES AND ACCOUNTS RECEIVABLE, AND OVERDUE RECEIVABLE, NET

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|--|---------------------------|------------------------------|---------------------------|
| Notes receivable (operating) | | | |
| Gross carrying amount at amortized cost | \$ 472,548 | \$ 519,720 | \$ 316,761 |
| Less: Unrealized interest revenue | <u>1,347</u> | <u>1,347</u> | <u>1,505</u> |
| | <u>\$ 471,201</u> | <u>\$ 518,373</u> | <u>\$ 315,256</u> |
| Accounts receivable | | | |
| Gross carrying amount at amortized cost | \$ 2,848,910 | \$ 3,014,399 | \$ 3,076,953 |
| Less: Allowance for impairment loss | <u>393,257</u> | <u>473,782</u> | <u>449,481</u> |
| | <u>\$ 2,455,653</u> | <u>\$ 2,540,617</u> | <u>\$ 2,627,472</u> |
| Accounts receivable - related parties | | | |
| Gross carrying amount at amortized cost | <u>\$ 3,271</u> | <u>\$ 4,643</u> | <u>\$ 5,032</u> |
| Long-term notes and accounts receivable (operating) | | | |
| Gross carrying amount at amortized cost | \$ 12,800 | \$ 16,440 | \$ 23,068 |
| Less: Allowance for impairment loss | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 12,800</u> | <u>\$ 16,440</u> | <u>\$ 23,068</u> |
| Overdue receivable (included in other noncurrent assets) | | | |
| Gross carrying amount at amortized cost | \$ 18,059 | \$ 19,459 | \$ 27,031 |
| Less: Allowance for impairment loss | <u>18,059</u> | <u>19,459</u> | <u>27,031</u> |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The credit period of the Company and its subsidiaries' receivables depends on customer classification and product category. The Company and its subsidiaries make prudent assessment of all their customers. The counterparties are creditworthy companies; as a result, the significant credit risk is unexpected. In order to minimize credit risk, the management of the Company and its subsidiaries have delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company and its subsidiaries review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company and its subsidiaries' credit risk were significantly reduced.

The Company and its subsidiaries apply the simplified approach to providing for expected credit losses prescribed which permits the use of lifetime expected loss provision for all notes and accounts receivables. The expected credit losses on notes and accounts receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the

debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company and its subsidiaries' historical credit loss experience do not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company and its subsidiaries' different customer base.

The Company and its subsidiaries write off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery after the recourse procedures. For accounts receivable that have been written off, the Company and its subsidiaries continue to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes and accounts receivables based on the Company and its subsidiaries' provision matrix. :

March 31, 2023

| | <u>Not Past Due</u> | <u>1 to 90 Days</u> | <u>91 to 180 Days</u> | <u>181 to 270 Days</u> | <u>271 to 365 Days</u> | <u>366 to 720 Days</u> | <u>Over 721 Days</u> | <u>Individual Identification</u> | <u>Total</u> |
|-------------------------------|---------------------|---------------------|-----------------------|------------------------|------------------------|------------------------|----------------------|----------------------------------|---------------------|
| Gross carrying amount | \$ 1,938,985 | \$ 358,797 | \$ 283,397 | \$ 151,039 | \$ 150,564 | \$ 169,798 | \$ 251,438 | \$ 50,223 | \$ 3,354,241 |
| Loss allowance (Lifetime ECL) | (6,799) | (24,534) | (44,379) | (13,815) | (15,098) | (51,855) | (204,613) | (50,223) | (411,316) |
| | <u>\$ 1,932,186</u> | <u>\$ 334,263</u> | <u>\$ 239,018</u> | <u>\$ 137,224</u> | <u>\$ 135,466</u> | <u>\$ 117,943</u> | <u>\$ 46,825</u> | <u>\$ -</u> | <u>\$ 2,942,925</u> |

December 31, 2022

| | <u>Not Past Due</u> | <u>1 to 90 Days</u> | <u>91 to 180 Days</u> | <u>181 to 270 Days</u> | <u>271 to 365 Days</u> | <u>366 to 720 Days</u> | <u>Over 721 Days</u> | <u>Individual Identification</u> | <u>Total</u> |
|-------------------------------|---------------------|---------------------|-----------------------|------------------------|------------------------|------------------------|----------------------|----------------------------------|---------------------|
| Gross carrying amount | \$ 2,038,213 | \$ 579,876 | \$ 217,646 | \$ 176,472 | \$ 94,279 | \$ 116,147 | \$ 300,101 | \$ 50,580 | \$ 3,573,314 |
| Loss allowance (Lifetime ECL) | (8,707) | (64,296) | (31,907) | (18,905) | (8,704) | (44,190) | (265,952) | (50,580) | (493,241) |
| | <u>\$ 2,029,506</u> | <u>\$ 515,580</u> | <u>\$ 185,739</u> | <u>\$ 157,567</u> | <u>\$ 85,575</u> | <u>\$ 71,957</u> | <u>\$ 34,149</u> | <u>\$ -</u> | <u>\$ 3,080,073</u> |

March 31, 2022

| | <u>Not Past Due</u> | <u>1 to 90 Days</u> | <u>91 to 180 Days</u> | <u>181 to 270 Days</u> | <u>271 to 365 Days</u> | <u>366 to 720 Days</u> | <u>Over 721 Days</u> | <u>Individual Identification</u> | <u>Total</u> |
|-------------------------------|---------------------|---------------------|-----------------------|------------------------|------------------------|------------------------|----------------------|----------------------------------|---------------------|
| Gross carrying amount | \$ 2,130,557 | \$ 492,256 | \$ 211,878 | \$ 74,911 | \$ 88,964 | \$ 111,687 | \$ 259,002 | \$ 78,085 | \$ 3,447,340 |
| Loss allowance (Lifetime ECL) | (13,526) | (31,179) | (48,213) | (9,777) | (8,297) | (44,996) | (242,439) | (78,085) | (476,512) |
| | <u>\$ 2,117,031</u> | <u>\$ 461,077</u> | <u>\$ 163,665</u> | <u>\$ 65,134</u> | <u>\$ 80,667</u> | <u>\$ 66,691</u> | <u>\$ 16,563</u> | <u>\$ -</u> | <u>\$ 2,970,828</u> |

The movements of the loss allowance of notes and accounts receivable were as follows:

| | <u>For the three Months Ended March 31</u> | |
|--|--|-------------------|
| | <u>2023</u> | <u>2022</u> |
| Balance, beginning of period | \$ 493,241 | \$ 461,621 |
| Recognition (Reversal) | (27,719) | 10,235 |
| Written off | (55,216) | - |
| Effects of foreign currency exchange differences | <u>1,010</u> | <u>4,656</u> |
| Balance, end of period | <u>\$ 411,316</u> | <u>\$ 476,512</u> |

Refer to Note 32 for the amount of discounted notes receivable and related terms of the subsidiaries.

Discounted notes receivable by the subsidiaries as collateral for bank borrowings are described in Note 34.

10. INVENTORIES

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|----------------------|---------------------------|------------------------------|---------------------------|
| Raw materials | \$ 2,659,723 | \$ 2,580,365 | \$ 2,717,856 |
| Supplies | 165,769 | 164,167 | 162,696 |
| Work-in-progress | 2,234,759 | 1,914,692 | 2,151,538 |
| Finished goods | 457,656 | 677,446 | 726,116 |
| Merchandise | 75,622 | 97,075 | 76,642 |
| Inventory in transit | <u>7,540</u> | <u>5,169</u> | <u>10,660</u> |
| | <u>\$ 5,601,069</u> | <u>\$ 5,438,914</u> | <u>\$ 5,845,508</u> |

The cost of inventories recognized as operating costs for the three months ended March 31, 2023 and 2022 was NT\$1,343,824 thousand and NT\$1,339,407 thousand, respectively, which included reversal of write-downs of inventories was NT\$9,212 and write-downs of inventories was NT\$16,944 thousand, respectively .

Reversal of write-downs of inventories was mainly due to the impact of price fluctuations in the market for the three months ended March 31, 2023.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

| Investor | Investee | Nature of Activities | Proportion of Ownership | | | Remark |
|----------------------------------|--|--|-------------------------|----------------------|-------------------|--------|
| | | | March 31, 2023 | December 31, 2022 | March 31, 2022 | |
| Tongtai Machine & Tool Co., Ltd. | Union Top Industrial (Samoa) Limited (Union Top) | General investment | 100.00 | 100.00 | 100.00 | |
| | Tongfong Auto Tech Co., Ltd. (Tongfong) | Sales of electric automation equipment | 100.00 | 100.00 | 100.00 | |
| | Asia Pacific Elite Corp. (APEC) | Sales and manufacturing of equipment | 99.83 | 99.83 | 99.83 | |
| | Quick-Tech Machinery Co., Ltd. (Quick-Tech) | Sales and manufacturing of equipment | 99.14 | 99.14 | 99.14 | |
| | Honor Seiki Co., Ltd. (Honor Seiki) | Sales and manufacturing of equipment | 54.47 | 54.47 | 54.47 | |
| | Tong-Yeh Precision Co., Ltd. (Tong-Yeh) | Manufacturing and processing of metal part | 94.58 | 94.58 | 60.09 | Note 4 |
| | Chin-Jig Technology Co., Ltd. (Chin-Jig) | Sales of mold and equipment | - | - | 70.00 | Note 2 |
| | Tongtai Machine & Tool Japan Co., Ltd. (TTJP) | Sales and manufacturing of equipment | 100.00 | 100.00 | 100.00 | |
| | Tong Tai Machinery Co., Ltd. (TTM) | Sales of customized machine | 100.00 | 100.00 | 100.00 | |
| | Tongtai Seiki Vietnam Co., Ltd. (TTVN) | Sales of customized machine | 100.00 | 100.00 | 100.00 | |
| | Tongtai Machine Tool (SEA) Sdn. Bhd. (TTS) | Sales of customized machine | 52.00 | 52.00 | 52.00 | |
| | Tongtai Machine Tool (MFG) Sdn. Bhd. (TMM) | Sales and manufacturing of equipment | 100.00 | 100.00 | 100.00 | |

| | | | | | | |
|----------------------------------|---|---|------------------|------------------|-------------|----------------------|
| | Tong-Tai Seiki USA, Inc. (TSU) | Sales of equipment | 100.00 | 100.00 | 100.00 | |
| | Tongtai Mexico S.A.DE C.V. (TTGMx) | Sales and maintenance of machine tools | 100.00 | 100.00 | 100.00 | |
| | Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines (PCI-SCEMM) | Sales, manufacturing and maintenance of equipment | 100.00 | 100.00 | 100.00 | |
| | Tongtai Europe B.V. (TTE) | Sales of merchandise | 100.00 | 100.00 | 100.00 | |
| | Tongan GmbH (Tongan) | General investment | 100.00 | 100.00 | 100.00 | |
| Union Top | Suzhou Tongyu Machine Tool Co., Ltd. (Suzhou Tongyu) | Manufacturing of digital control machine and system | 100.00 | 100.00 | 100.00 | Important subsidiary |
| | Shanghai Tong-Tai-Shin Trading Co., Ltd. (Shanghai Tong-Tai-Shin) | International trade | 100.00 | 100.00 | 100.00 | |
| | Tong-Yu Machine Tool (Shanghai) Co., Ltd. (Shanghai Tong-Yu) | Sales and maintenance of machine tools | 100.00 | 100.00 | 100.00 | |
| | Great Pursuit Limited | General investment | 55.00 | 55.00 | 55.00 | |
| Great Pursuit Limited | Hao-Tern-Shin Electronics (Shenzhen) Co., Ltd. (Hao-Tern-Shin) | Sales and manufacturing of printed circuit board | 100.00 | 100.00 | 100.00 | |
| Chin-Jig | Time Trade International Limited | General investment | - | - | 100.00 | Note 1 |
| Time Trade International Limited | Chin-Jig Precision Machine (Shanghai) Co., Ltd. (Shanghai Chin-Jig) | Sales of mold and equipment | - | - | 100.00 | Note 1 |
| TTJP | SKTD Co., Ltd. (SKTD) | Sales and maintenance of machine tools | 98.73 | 98.73 | 98.73 | |
| PCI-SCEMM | TTGroup France CERIMATEC | Sales of merchandise Sales of machine tools | 100.00 100.00 | 100.00 100.00 | 100.00 - | Note 3 |
| Tongan | Mbi-group Beteiligung GmbH (MBI) | General investment | 100.00 | 100.00 | 100.00 | |
| MBI | HPC Produktions GmbH (HPC) | Sales, manufacturing and maintenance of machine tools | 100.00 | 100.00 | 100.00 | |
| | Anger Machining GmbH (Anger) | Sales, manufacturing and maintenance of equipment | 100.00 | 100.00 | 100.00 | |
| Anger | Anger Machining Inc. (Anger - US) | Sales and maintenance of machine tools | 100.00 | 100.00 | 100.00 | |
| | Anger Service Deutschland GmbH (Anger - DE) | Sales and maintenance of machine tools | 100.00 | 100.00 | 100.00 | |

Note 1: In July 2022, the Time Trade International Limited was disposed out the shares of Shanghai Chin-Ji, and was liquidated in August 2022 (Refer to Note 30).

Note 2: In December 2022, the Chin-Jig Technology Co., Ltd. was liquidated.

Note 3: In December 2022, the CERIMATEC newly established by PCI-SCEMM.

Note 4: In December 2022, the Company acquired a part of shares from non-controlling interest (Refer to Note 28).

The financial statements of the non-significant subsidiaries were based on the subsidiaries' financial statements which have not been reviewed for the same periods.

b. Details of subsidiaries that have material non-controlling interests

| Name of subsidiary | Percentage of Ownership and Voting Rights of Non-controlling Interests | | |
|--------------------|--|-------------------|----------------|
| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
| | Honor Seiki | 45.53% | 45.53% |

Names, locations, and related information of investees Honor Seiki please refer to Table 6.

| Name of subsidiary | Profit (loss) Allocated to Non-controlling Interests | | Accumulated, Non-controlling Interests | | |
|--------------------|--|--------------|--|-------------------|----------------|
| | For the Three Months Ended March 31 | | March 31, 2023 | December 31, 2022 | March 31, 2022 |
| | Honor Seiki | (\$ 4,234) | \$ 5,445 | \$597,594 | \$601,828 |

Honor Seiki's financial information below represents amounts before intragroup eliminations.

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---------------------|--|--|
| Current assets | \$ 1,983,345 | \$ 1,751,820 | \$ 1,294,839 |
| Non-current assets | 849,584 | 867,660 | 884,104 |
| Current liabilities | (1,292,174) | (1,060,626) | (696,778) |
| Non-current liabilities | (228,314) | (237,113) | (231,640) |
| Equity | <u>\$ 1,312,441</u> | <u>\$ 1,321,741</u> | <u>\$ 1,250,525</u> |
| Equity attributable to | | | |
| Owner of the Company | \$ 714,847 | \$ 719,913 | \$ 681,123 |
| Non-controlling interests | <u>597,594</u> | <u>601,828</u> | <u>569,402</u> |
| | <u>\$ 1,312,441</u> | <u>\$ 1,321,741</u> | <u>\$ 1,250,525</u> |
| | | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
| Revenue | | <u>\$ 157,429</u> | <u>\$ 165,545</u> |
| Profit (loss) for the period | (\$ 9,299) | | \$ 11,957 |
| Other comprehensive income for the period | - | | - |
| Total comprehensive income for the period | (\$ 9,299) | | <u>\$ 11,957</u> |

| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
|---|--|--|
| Profit (loss) attributable to | | |
| Owners of the Company | (\$ 5,065) | \$ 6,512 |
| Non-controlling interests of the Company | (<u>4,234</u>) | <u>5,445</u> |
| | (<u>\$ 9,299</u>) | <u>\$ 11,957</u> |
| Total comprehensive income attributable to | | |
| Owners of the Company | (\$ 5,065) | \$ 6,512 |
| Non-controlling interests of the Company | (<u>4,234</u>) | <u>5,445</u> |
| | (<u>\$ 9,299</u>) | <u>\$ 11,957</u> |
| Net cash inflow (outflow) from | | |
| Operating activities | (\$ 8,484) | \$ 30,515 |
| Investing activities | (62,211) | (5,888) |
| Financing activities | <u>65,922</u> | <u>(41,292)</u> |
| Net cash outflow | (<u>\$ 4,773</u>) | (<u>\$ 16,665</u>) |

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|--|--|---------------------------|
| Associates that are not individually material | | | |
| Printin3d DigiTech Co., Ltd. | \$ 7,828 | \$ 8,115 | \$ 8,129 |
| Cyber Laser Taiwan Co., Ltd. ("Cyber") | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 7,828</u> | <u>\$ 8,115</u> | <u>\$ 8,129</u> |
| | | | |
| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 | |
| The Company and its subsidiaries' share of | | | |
| Net profit (loss) for the period | (\$287) | \$ 232 | |
| Other comprehensive income | <u>-</u> | <u>-</u> | |
| Total comprehensive income | <u>(\$287)</u> | <u>\$ 232</u> | |

The Company recognized fully impairment loss of the associate, Cyber, due to the recoverable amount was lower than the carrying amount.

Names, locations, and related information of associates please refer to Table 6.

The investments accounted for using the equity method and the share of profit (loss) and other

comprehensive income of those investments for the three months ended March 31, 2023 and 2022 were based on the associates' financial statements which have not been reviewed for the same periods.

13. OTHER FINANCIAL ASSETS

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|------------------------------------|-------------------|----------------------|-------------------|
| Current | | | |
| Pledged deposits and time deposits | <u>\$ 222,110</u> | <u>\$ 198,985</u> | <u>\$ 152,560</u> |
| Non-current | | | |
| Pledged deposits and time deposits | \$ 123,504 | \$ 80,649 | \$ 92,980 |
| Deposits for projects | <u>15,608</u> | <u>16,650</u> | <u>17,300</u> |
| | <u>\$ 139,112</u> | <u>\$ 97,299</u> | <u>\$ 110,280</u> |

Refer to Note 34 for information relating to other financial assets pledged as collateral.

14. PROPERTY, PLANT AND EQUIPMENT

The assets used by the company and its subsidiaries

For the Three Months Ended March 31, 2023

| | Land | Buildings | Machinery and Equipment | Transportation Equipment | Office Equipment | Other Equipment | Construction in Progress and Equipment to be Inspected | Total |
|---|-------------------|---------------------|----------------------------|-----------------------------|---------------------|--------------------|---|---------------------|
| Cost | | | | | | | | |
| Balance at January 1, 2023 | \$ 793,294 | \$ 2,883,591 | \$ 1,139,129 | \$ 170,388 | \$ 183,138 | \$ 408,821 | \$ 11,643 | \$ 5,590,004 |
| Additions | - | 284 | 6,243 | 1,841 | 2,650 | 4,204 | 98 | 15,320 |
| Reclassifications | - | - | (3,681) | 358 | 117 | 7,467 | (10,826) | (6,565) |
| Disposals | - | (230) | (1,777) | (1,255) | (117) | (12,939) | - | (16,318) |
| Effects of foreign currency exchange difference | 599 | 5,729 | 5,563 | 279 | 1,696 | 1,098 | 12 | 14,976 |
| Balance at March 31, 2023 | <u>793,893</u> | <u>2,889,374</u> | <u>1,145,477</u> | <u>171,611</u> | <u>187,484</u> | <u>408,651</u> | <u>927</u> | <u>5,597,417</u> |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance at January 1, 2023 | - | 1,455,832 | 803,151 | 140,577 | 164,996 | 291,512 | - | 2,856,068 |
| Depreciation | - | 24,673 | 18,288 | 1,907 | 2,329 | 6,944 | - | 54,141 |
| Reclassifications | - | - | (1,743) | 358 | 117 | (631) | - | (1,899) |
| Disposals | - | (230) | (1,402) | (1,255) | (115) | (11,678) | - | (14,680) |
| Effects of foreign currency exchange difference | - | 3,054 | 4,362 | 230 | 1,529 | 1,039 | - | 10,214 |
| Balance at March 31, 2023 | <u>-</u> | <u>1,483,329</u> | <u>822,656</u> | <u>141,817</u> | <u>168,856</u> | <u>287,186</u> | <u>-</u> | <u>2,903,844</u> |
| Carrying amount at December 31, 2022 | <u>\$ 793,294</u> | <u>\$ 1,427,759</u> | <u>\$ 335,978</u> | <u>\$ 29,811</u> | <u>\$ 18,142</u> | <u>\$ 117,309</u> | <u>\$ 11,643</u> | <u>\$ 2,733,936</u> |
| Carrying amount at March 31, 2023 | <u>\$ 793,893</u> | <u>\$ 1,406,045</u> | <u>\$ 322,821</u> | <u>\$ 29,794</u> | <u>\$ 18,628</u> | <u>\$ 121,465</u> | <u>\$ 927</u> | <u>\$ 2,693,573</u> |

For the Three Months Ended March 31, 2022

| | Land | Buildings | Machinery and Equipment | Transportation Equipment | Office Equipment | Other Equipment | Construction in Progress and Equipment to be Inspected | Total |
|---|-------------------|---------------------|----------------------------|-----------------------------|---------------------|--------------------|---|---------------------|
| Cost | | | | | | | | |
| Balance at January 1, 2022 | \$ 788,270 | \$ 2,938,436 | \$ 1,215,823 | \$ 165,676 | \$ 173,900 | \$ 444,635 | \$ 160 | \$ 5,726,900 |
| Additions | - | 2,551 | 18,124 | 1,793 | 1,173 | 268 | 31 | 23,940 |
| Disposals | - | (120) | (58,525) | - | (3,207) | (4,514) | - | (66,366) |
| Effects of foreign currency exchange difference | 1,099 | 21,901 | 16,729 | 1,542 | 2,973 | 3,492 | 9,692 | 57,428 |
| Balance at March 31, 2022 | <u>789,369</u> | <u>2,962,768</u> | <u>1,192,151</u> | <u>169,011</u> | <u>174,839</u> | <u>443,881</u> | <u>9,883</u> | <u>5,741,902</u> |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance at January 1, 2022 | - | 1,356,155 | 815,243 | 134,804 | 153,972 | 291,494 | - | 2,751,668 |
| Depreciation | - | 26,005 | 20,158 | 1,786 | 2,756 | 8,404 | - | 59,109 |
| Disposals | - | (120) | (58,523) | - | (3,018) | (4,463) | - | (66,124) |
| Effects of foreign currency exchange difference | - | 9,482 | 12,579 | 1,254 | 2,598 | 2,934 | - | 28,847 |
| Balance at March 31, 2022 | <u>-</u> | <u>1,391,522</u> | <u>789,457</u> | <u>137,844</u> | <u>156,308</u> | <u>298,369</u> | <u>-</u> | <u>2,773,500</u> |
| Carrying amount at March 31, 2022 | <u>\$ 789,369</u> | <u>\$ 1,571,246</u> | <u>\$ 402,694</u> | <u>\$ 31,167</u> | <u>\$ 18,531</u> | <u>\$ 145,512</u> | <u>\$ 9,883</u> | <u>\$ 2,968,402</u> |

The subsidiary Anger evaluated that the estimated future cash inflows from machinery and equipment had declined due to unsatisfactory operating conditions, and the estimated recoverable amount was lower than the carrying amount. As a result, the subsidiary Anger has been recognized impairment loss in previous years. The accumulated impairment as of March 31, 2023, December 31, 2022 and March 31, 2022 was NT\$28,221 thousand, NT\$27,854 thousand and NT\$27,173 thousand, respectively.

The following items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

| | |
|--|-------------|
| Buildings | |
| Main structure | 35-60 years |
| Mechanical and electrical facilities | 5-35 years |
| Engineering system, Air conditioning system and decoration | 2-35 years |
| Machinery and equipment | 2-13 years |
| Transportation equipment | 2-15 years |
| Office equipment | 3-10 years |
| Other equipment | 2-15 years |

Property, plant and equipment pledged by the Company and its subsidiaries as collateral for bank borrowings are described in Note 34.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|--------------------------|---------------------------|------------------------------|---------------------------|
| Carrying amounts | | | |
| Land | \$ 609,135 | \$ 483,172 | \$ 496,347 |
| Buildings | 53,231 | 55,858 | 69,974 |
| Machinery | 7,946 | 8,875 | 10,169 |
| Transportation equipment | <u>17,878</u> | <u>20,164</u> | <u>7,997</u> |
| | <u>\$ 688,190</u> | <u>\$ 568,069</u> | <u>\$ 584,487</u> |

| | <u>For the Three Months Ended March 31, 2023</u> | <u>For the Three Months Ended March 31, 2022</u> |
|---|--|--|
| Additions to right-of-use assets | <u>\$ 130,555</u> | <u>\$ 842</u> |
| Depreciation charge for right-of-use assets | | |
| Land | \$ 4,632 | \$ 4,333 |
| Buildings | 3,277 | 4,526 |
| Machinery | 1,030 | 1,003 |
| Transportation equipment | <u>2,411</u> | <u>2,252</u> |
| | <u>\$ 11,350</u> | <u>\$ 12,114</u> |

Except for the aforementioned addition and recognized depreciation, the Company and its subsidiaries did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2023 and 2022.

b. Lease liabilities

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|------------------|---------------------------|------------------------------|---------------------------|
| Carrying amounts | | | |
| Current | <u>\$ 36,085</u> | <u>\$ 35,476</u> | <u>\$ 33,457</u> |
| Non-current | <u>\$ 667,995</u> | <u>\$ 546,596</u> | <u>\$ 560,909</u> |

Range of discount rate for lease liabilities (%) was as follows:

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|--------------------------|---------------------------|------------------------------|---------------------------|
| Land | 2.16~2.48 | 2.16~2.48 | 2.16~2.48 |
| Buildings | 1.00~2.00 | 1.17~2.82 | 1.17~2.88 |
| Machinery | 1.45~3.00 | 1.45~2.83 | 2.88 |
| Transportation equipment | 0.69~3.00 | 0.69~2.83 | 0.09~2.88 |

c. Material lease activities and terms

The Company is leasing the land of Kaohsiung Luke plant from the management of Southern Taiwan Science Park. The lease period will expire in June 2039. The Company does not have a bargain purchase option to acquire the leased land at the expiration of the lease period.

The subsidiary Suzhou Tong-Yu is leasing land from the China government. The lease is recorded as land use rights with useful life of 50 years until July 2059.

The subsidiary PCI is leasing its location from non-related parties. The lease period will expire in December 2027.

d. Other lease information

| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
|---|--|--|
| Expenses relating to short-term leases and low-value asset leases | <u>\$ 7,888</u> | <u>\$ 7,008</u> |
| Total cash outflow for leases | <u>\$ 20,848</u> | <u>\$ 22,199</u> |

The Company and its subsidiaries lease certain buildings, transportation equipment and office equipment which qualify as short-term leases and low-value asset leases. The Company and its subsidiaries have elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. INVESTMENT PROPERTIES

For the Three Months Ended March 31, 2023

| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
|--|-------------------|-------------------|-------------------|
| <u>Cost</u> | | | |
| Balance at January 1, 2023 | \$ 252,550 | \$ 395,422 | \$ 647,972 |
| Effects of foreign currency exchange differences | <u>-</u> | <u>533</u> | <u>533</u> |
| Balance at March 31, 2023 | <u>252,550</u> | <u>395,955</u> | <u>648,505</u> |
| <u>Accumulated depreciation</u> | | | |
| Balance at January 1, 2023 | \$ - | \$ 139,682 | \$ 139,682 |
| Depreciation | - | 5,148 | 5,148 |
| Effects of foreign currency exchange differences | <u>-</u> | <u>157</u> | <u>157</u> |
| Balance at March 31, 2023 | <u>-</u> | <u>144,987</u> | <u>144,987</u> |
| Balance at December 31, 2022 | <u>\$ 252,550</u> | <u>\$ 255,740</u> | <u>\$ 508,290</u> |
| Carrying amount at March 31, 2023 | <u>\$ 252,550</u> | <u>\$ 250,968</u> | <u>\$ 503,518</u> |

For the Three Months Ended March 31, 2022

| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
|--|-------------------|-------------------|-------------------|
| <u>Cost</u> | | | |
| Balance at January 1, 2022 | \$ 252,550 | \$ 277,047 | \$ 529,597 |
| Effects of foreign currency exchange differences | <u>-</u> | <u>3,757</u> | <u>3,757</u> |
| Balance at March 31, 2022 | <u>252,550</u> | <u>280,804</u> | <u>533,354</u> |
| <u>Accumulated depreciation</u> | | | |
| Balance at January 1, 2022 | - | 96,750 | 96,750 |
| Depreciation | - | 3,925 | 3,925 |
| Effects of foreign currency exchange differences | <u>-</u> | <u>974</u> | <u>974</u> |
| Balance at March 31, 2022 | <u>-</u> | <u>101,649</u> | <u>101,649</u> |
| Carrying amount at March 31, 2022 | <u>\$ 252,550</u> | <u>\$ 179,155</u> | <u>\$ 431,705</u> |

The abovementioned investment properties were leased out for 1 to 15 years. The leases do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|----------------|---------------------------|------------------------------|---------------------------|
| Year 1 | \$ 40,237 | \$ 46,316 | \$ 14,484 |
| Year 2 | 5,550 | 10,361 | 6,978 |
| Year 3 | 5,670 | 5,640 | 5,550 |
| Year 4 | 5,790 | 5,760 | 5,670 |
| Year 5 | 5,910 | 5,880 | 5,790 |
| Year 6 onwards | <u>36,300</u> | <u>37,800</u> | <u>42,210</u> |
| | <u>\$ 99,457</u> | <u>\$ 111,757</u> | <u>\$ 80,682</u> |

The above items of investment properties are depreciated on a straight-line basis over the following estimated useful lives:

| | |
|--------------------|-------------|
| Buildings | |
| Main structure | 25-60 years |
| Engineering system | 2-5 years |

The investment properties of the Company and its subsidiaries are located at Annan District in Tainan City, Hunei District in Kaohsiung City, Kaohsiung Science Park and Shanghai City in China. . The fair value of the investment properties was assessed by the management of the Company and its subsidiaries based on the actual price registration information of nearby area or market evidence of transaction prices categorized as Level 3 input. Professional independent valuers were not involved in the fair value assessment. The fair value as of March 31, 2023, December 31, 2022 and March 31, 2022 are NT\$895,304 thousand, NT\$895,304 thousand and NT\$761,120 thousand.

All of the Company and its subsidiaries' investment properties are held under freehold interests.

Investment properties pledged by the Company and its subsidiaries as collateral for bank borrowings are described in Note 34.

17. INTANGIBLE ASSETS

For the Three Months Ended March 31, 2023

| | Computer Software | Goodwill | Patents | Others | Total |
|---|------------------------------|-----------------|----------------|-----------------|------------------|
| <u>Cost</u> | | | | | |
| Balance at January 1, 2023 | \$ 265,404 | \$ 13,731 | \$ 3,651 | \$ 7,177 | \$ 289,963 |
| Additions | 8,237 | - | - | 979 | 9,216 |
| Reclassifications | 10,767 | - | - | - | 10,767 |
| Disposals | (2,370) | - | - | - | (2,370) |
| Effects of foreign currency exchange differences | <u>1,287</u> | <u>-</u> | <u>48</u> | <u>(84)</u> | <u>1,251</u> |
| Balance at March 31, 2023 | <u>283,325</u> | <u>13,731</u> | <u>3,699</u> | <u>8,072</u> | <u>308,827</u> |
| <u>Accumulated amortization and impairment</u> | | | | | |
| Balance at January 1, 2023 | 224,753 | 11,989 | 3,597 | 7,171 | 247,510 |
| Additions | 4,833 | - | 25 | 1 | 4,859 |
| Disposals | (2,370) | - | - | - | (2,370) |
| Effects of foreign currency exchange differences | <u>1,256</u> | <u>-</u> | <u>48</u> | <u>(100)</u> | <u>1,204</u> |
| Balance at March 31, 2023 | <u>228,472</u> | <u>11,989</u> | <u>3,670</u> | <u>7,072</u> | <u>251,203</u> |
| Balance at December 31, 2022 | <u>\$ 40,651</u> | <u>\$ 1,742</u> | <u>\$ 54</u> | <u>\$ 6</u> | <u>\$ 42,453</u> |
| Carrying amount at March 31, 2023 | <u>\$ 54,853</u> | <u>\$ 1,742</u> | <u>\$ 29</u> | <u>\$ 1,000</u> | <u>\$ 57,624</u> |

For the Three Months Ended March 31, 2022

| | Computer Software | Goodwill | Patents | Others | Total |
|---|------------------------------|-----------------|----------------|---------------|------------------|
| <u>Cost</u> | | | | | |
| Balance at January 1, 2022 | \$ 259,935 | \$ 13,731 | \$ 3,494 | \$ 7,229 | \$ 284,389 |
| Additions | 1,283 | - | - | - | 1,283 |
| Disposals | (13,190) | - | - | - | (13,190) |
| Effects of foreign currency exchange differences | <u>1,976</u> | <u>-</u> | <u>67</u> | <u>(147)</u> | <u>1,896</u> |
| Balance at March 31, 2022 | <u>250,004</u> | <u>13,731</u> | <u>3,561</u> | <u>7,082</u> | <u>274,378</u> |
| <u>Accumulated amortization and impairment</u> | | | | | |
| Balance at January 1, 2022 | \$ 218,343 | \$ 11,989 | \$ 3,328 | \$ 7,218 | \$ 240,878 |
| Additions | 3,678 | - | 35 | 1 | 3,714 |
| Disposals | (13,190) | - | - | - | (13,190) |
| Effects of foreign currency exchange differences | <u>1,913</u> | <u>-</u> | <u>64</u> | <u>(146)</u> | <u>1,831</u> |
| Balance at March 31, 2022 | <u>210,744</u> | <u>11,989</u> | <u>3,427</u> | <u>7,073</u> | <u>233,233</u> |
| Carrying amount at March 31, 2022 | <u>\$ 39,260</u> | <u>\$ 1,742</u> | <u>\$ 134</u> | <u>\$ 9</u> | <u>\$ 41,145</u> |

The Company acquired Quick-Tech in previous year and recognized goodwill of NT\$11,989 thousand. Due to the performance of Quick-Tech did not turn out as expected, and the recoverable amount was lower than the carrying amount, impairment losses of NT\$11,989 thousand was recognized.

The above items of intangible assets are amortized on a straight-line basis over the following estimated useful lives:

| | |
|-------------------|------------|
| Computer software | 1-10 years |
| Patents | 3-8 years |
| Others | 5-8 years |

18. BORROWINGS

a. Short-term borrowings

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|--------------------------|---------------------------|------------------------------|---------------------------|
| Revolving bank loans | \$ 2,512,143 | \$ 2,149,414 | \$ 2,219,525 |
| Secured borrowings | 478,128 | 528,745 | 371,108 |
| Letters of credit | <u>42,622</u> | <u>53,762</u> | <u>46,809</u> |
| | <u>\$ 3,032,893</u> | <u>\$ 2,731,921</u> | <u>\$ 2,637,442</u> |
| Annual interest rate (%) | 1.573~6.03 | 0.91~5.9 | 0.84~4.1 |

b. Short-term bills payable

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|-----------------------------|---------------------------|------------------------------|---------------------------|
| Commercial paper | \$ 250,000 | \$ 50,000 | \$ 470,000 |
| Less: Unamortized discounts | (<u>49</u>) | (<u>148</u>) | (<u>80</u>) |
| | <u>\$ 249,951</u> | <u>\$ 49,852</u> | <u>\$ 469,920</u> |
| Annual interest rate (%) | 1.542~3.142 | 1.652 | 0.77~1.1 |

The above commercial paper was secured by Mega Bills Finance Corporation, International Bills Finance Corporation, Ta Ching Bill Finance Ltd., Dah Chung Bills Finance Corp. and China Bills Finance Corporation.

c. Long-term borrowings

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|--|---------------------------|------------------------------|---------------------------|
| Revolving bank loans | | | |
| Due on various dates through April 2030 | \$ 743,785 | \$ 780,866 | \$ 988,770 |
| Mortgage loans | | | |
| Due on various dates through July 2039 | <u>1,323,854</u> | <u>1,374,150</u> | <u>1,574,538</u> |
| | 2,067,639 | 2,155,016 | 2,563,308 |
| Less: Current portion | <u>791,516</u> | <u>446,840</u> | <u>1,036,772</u> |
| | <u>\$ 1,276,123</u> | <u>\$ 1,708,176</u> | <u>\$ 1,526,536</u> |
| Annual interest rate (%) | 0.22~4.39 | 0.22~3.528 | 0.45~2.30 |

The Subsidiaries MBI and Anger signed a loan contract with China Trust Commercial Bank, and the contract period is until May 2024. According to the above loan contract, the company and its subsidiaries need to maintain a certain shareholding ratio in Tongan, MBI, Anger and HPC during the contract period, and need to maintain and pledge a certain ratio of deposit. The bank will check compliance with the loan agreement once every half year and quarterly, and the subsidiary did not violate the aforesaid loan agreement for the years ended December 31, 2022 and three months ended March 31, 2023.

The Company entered into a facility agreement of NT\$1 billion with O-Bank for medium and long-term loans and guarantee the issuance of commercial paper until July 2023. The Company might not change the chairman during the contract period and the facility agreement stipulated that specified financial ratios and amounts should be met based on the Company and its subsidiaries' reviewed consolidated financial statements for six months ended June 30 and audited annual consolidated financial statements.

The consolidated financial statements for the six months ended June 30, 2022 and the years ended December 31, 2021 breached the contract; therefore, the long-term borrowings were all classified as current portion of long-term bank borrowings.

19. NOTES PAYABLE AND ACCOUNTS PAYABLE

All of the Company and its subsidiaries' notes payable and accounts payable (included related parties) are generated from operating and unsecured to the creditors.

The Company and its subsidiaries have financial risk management policies to ensure that all payables are paid within the agreed credit terms.

20. OTHER PAYABLES

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|--|---------------------------|------------------------------|---------------------------|
| Salaries and incentive bonus | \$ 202,992 | \$ 272,345 | \$ 243,052 |
| Commission and service fee | 170,078 | 148,738 | 68,357 |
| Employee compensation and remuneration of directors | 45,316 | 46,930 | 65,228 |
| Insurance | 32,752 | 28,049 | 60,541 |
| Business tax | 30,836 | 52,465 | 20,575 |
| Pension | 19,521 | 21,747 | 27,924 |
| Purchases of equipment | 8,015 | 4,759 | 34,050 |
| Others | <u>83,368</u> | <u>112,835</u> | <u>151,744</u> |
| | <u>\$ 592,878</u> | <u>\$ 687,868</u> | <u>\$ 671,471</u> |

21. PROVISIONS

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|---|--|--|---------------------------|
| Current | | | |
| Warranties | <u>\$ 103,322</u> | <u>\$ 95,291</u> | <u>\$ 90,196</u> |
| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 | |
| Balance, beginning of period | \$ 95,291 | \$ 93,307 | |
| Recognized | 39,499 | 32,437 | |
| Paid | (31,922) | (36,290) | |
| Effects of foreign currency exchange differences | <u>454</u> | <u>742</u> | |
| Balance, end of period | <u>\$ 103,322</u> | <u>\$ 90,196</u> | |

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company and its subsidiaries' obligations for warranties under local sale of goods legislation. The estimate was made on the basis of historical warranty trends and may vary with actual as a result of new materials, altered manufacturing processes or other events affecting product quality.

22. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Company and its subsidiaries' defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2022 and 2021, the amounts was NT\$558 thousand and NT\$596 thousand for the three months ended March 31, 2023 and 2022, respectively.

23. EQUITY

a. Ordinary Shares

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|--|---------------------------|------------------------------|---------------------------|
| Numbers of shares authorized (in thousands) | <u>400,000</u> | <u>400,000</u> | <u>400,000</u> |
| Amount of shares authorized | <u>\$ 4,000,000</u> | <u>\$ 4,000,000</u> | <u>\$ 4,000,000</u> |
| Numbers of shares issued and fully paid (in thousands) | <u>254,827</u> | <u>254,827</u> | <u>254,827</u> |
| Amount of shares issued | <u>\$ 2,548,265</u> | <u>\$ 2,548,265</u> | <u>\$ 2,548,265</u> |

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and the right to dividends.

b. Capital surplus

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|--|---------------------------|------------------------------|---------------------------|
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note) | | | |
| Additional paid-in capital | \$ 960,854 | \$ 960,854 | \$ 960,854 |
| Conversion of bonds | 222,593 | 222,593 | 222,593 |
| The difference between consideration received or paid and the carrying amount of the subsidiaries net assets during actual disposal or acquisition | 1,456 | 1,456 | - |
| Interest compensation | 5,577 | 5,577 | 5,577 |
| Expired employee stock warrants | <u>1,234</u> | <u>1,234</u> | <u>1,234</u> |
| | <u>1,191,714</u> | <u>1,191,714</u> | <u>1,190,258</u> |
| May be used to offset a deficit only | | | |
| Changes in percentage of ownership interests in subsidiaries | <u>\$ 3,838</u> | <u>\$ 3,838</u> | <u>\$ 3,838</u> |
| | <u>\$ 1,195,552</u> | <u>\$ 1,195,552</u> | <u>\$ 1,194,096</u> |

Note: The capital surplus could be used to offset a deficit and distributed as cash dividends or transferred to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

Under the Company's Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any

undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company's dividend policy takes into consideration the entire corporate environment, the growth of industry, long-term financial planning for sustainable development, and stable business development. In the planning of dividend distribution, the Company performs the following steps:

- 1) Determine the best capital budget.
- 2) Determine the need for capital loan to satisfy the best capital budget.
- 3) Determine how much capital could be raised from retained earnings.
- 4) Determine the funds needed to maintain the profitable operations of the Company. After the operations are funded, dividends could be distributed to shareholders. In principle, cash dividends should not be less than 50% of the total dividends distributed.

Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2022 had been proposed in the Board of Directors' meetings in March 2023, and the appropriations of earnings for 2021 had been approved in the shareholder's meeting in June 2022. The appropriations and dividends per share were as follows:

| | Appropriation of Earnings | | Dividend Per Share (NT\$) | |
|----------------|----------------------------------|------------------|----------------------------------|-------------|
| | For the Year Ended | | | |
| | December 31 | | | |
| | 2022 | 2021 | 2022 | 2021 |
| Legal reserve | \$ 10,242 | \$ 12,445 | | |
| Cash dividends | <u>50,965</u> | <u>50,965</u> | \$ 0.2 | \$ 0.2 |
| | <u>\$ 61,207</u> | <u>\$ 63,410</u> | | |

The appropriations of earnings for 2022 is subject to the resolution in the shareholders' meeting to be held in June 2023.

- d. Special reserve

On the first-time adoption of IFRSs, the Company transferred retained earnings to special reserve due to IFRSs adjustments. The Company reversed special reserve to retained earnings of NT\$89,749 thousand.
- e. Other equity
 - 1) Exchange differences on translating the financial statements of foreign operations

| | For the Three | For the Three |
|------------------------------|---------------------------|---------------------------|
| | Months Ended March | Months Ended March |
| | 31, 2023 | 31, 2022 |
| Balance, beginning of period | (\$ 120,957) | (\$ 142,556) |
| Recognized for the period | | |
| Exchange differences on | | |
| translating foreign | | |
| operations | 2,522 | 52,728 |
| Income tax | (<u>504</u>) | (<u>10,546</u>) |
| Balance, end of period | (<u>\$ 118,939</u>) | (<u>\$ 100,374</u>) |

2) Unrealized gain and loss on financial assets at FVTOCI

| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
|--|--|--|
| Balance, beginning of period | \$ 101,118 | \$ 135,986 |
| Recognized for the period | | |
| Unrealized gain and loss - equity instruments | <u>26,022</u> | (<u>10,328</u>) |
| Balance, end of period | <u>\$ 127,140</u> | <u>\$ 125,658</u> |

f. Non-controlling interests

| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
|---|--|--|
| Balance, beginning of period | \$ 603,452 | \$ 594,998 |
| Attributable to non-controlling interests: | | |
| Share in profit for the period | 5,515 | 6,607 |
| Exchange difference on translating foreign operations | (297) | (44) |
| Dividend distributed by subsidiaries | <u>-</u> | (<u>6,000</u>) |
| Balance, end of period | <u>\$ 608,670</u> | <u>\$ 595,561</u> |

24. OPERATING REVENUE

a. Contract balances

| | March 31, 2023 | December 31, 2022 | March 31, 2022 | January 1, 2022 |
|---|---------------------------|------------------------------|---------------------------|----------------------------|
| Notes and accounts receivable(include related parties), long-term notes and accounts receivables | <u>\$2,942,925</u> | <u>\$3,080,073</u> | <u>\$2,970,828</u> | <u>\$3,492,602</u> |
| Contract liabilities | | | | |
| Sales of goods | <u>\$1,351,467</u> | <u>\$1,125,643</u> | <u>\$1,367,049</u> | <u>\$1,130,202</u> |

b. Disaggregation of revenue

| | Reportable Segments | | | |
|--|-------------------------|---------------------------|-------------------|--------------------|
| | Machine Manufacturer | Component Manufacturer | Others | Total |
| <u>For the Three Months Ended March 31, 2023</u> | | | | |
| Revenue from sale of goods | \$1,254,627 | \$ 88,575 | \$ 123,248 | \$1,466,450 |
| Revenue from maintenance and rebuilding services | <u>244,475</u> | <u>-</u> | <u>24,809</u> | <u>269,284</u> |
| | <u>\$1,499,102</u> | <u>\$ 88,575</u> | <u>\$ 148,057</u> | <u>\$1,735,734</u> |
| <u>For the Three Months Ended March 31, 2022</u> | | | | |
| Revenue from sale of goods | \$1,365,758 | \$ 80,333 | \$ 40,657 | \$1,486,748 |
| Revenue from maintenance and rebuilding services | <u>156,150</u> | <u>-</u> | <u>20,674</u> | <u>176,824</u> |
| | <u>\$1,521,908</u> | <u>\$ 80,333</u> | <u>\$ 61,331</u> | <u>\$1,663,572</u> |

25. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Other income

| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
|------------------------------|--|--|
| Rental income | \$ 15,660 | \$ 9,594 |
| Government subsidy income | 1,798 | 1,290 |
| Others | <u>4,194</u> | <u>13,198</u> |
| | <u>\$ 21,652</u> | <u>\$ 24,082</u> |

b. Other gains and losses

| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
|---|--|--|
| Net foreign exchange gain | \$ 5,643 | \$ 78,013 |
| Gain (loss) on financial instruments at fair value through profit or loss | (1,542) | 5,351 |
| Depreciation expense | (5,664) | (4,478) |
| Gain on disposal of property, plant and equipment | 246 | 1,225 |
| Others | <u>(1,271)</u> | <u>(1,538)</u> |
| | <u>(\$ 2,588)</u> | <u>\$ 78,573</u> |

The components of net foreign exchange gain were as follows:

| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
|---------------------------|--|--|
| Foreign exchange gain | \$ 44,701 | \$ 79,663 |
| Foreign exchange loss | (<u>39,058</u>) | (<u>1,650</u>) |
| Net foreign exchange gain | <u>\$ 5,643</u> | <u>\$ 78,013</u> |

c. Finance costs

| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
|-------------------------------|--|--|
| Interest on bank loans | \$ 27,723 | \$ 17,379 |
| Interest on lease liabilities | 3,484 | 3,434 |
| Others | <u>156</u> | <u>112</u> |
| | <u>\$ 31,363</u> | <u>\$ 20,925</u> |

d. Depreciation and amortization

| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
|---|--|--|
| Depreciation and amortization expenses | | |
| Property, plant and equipment | \$ 54,141 | \$ 59,109 |
| Right-of-use assets | 11,350 | 12,114 |
| Investment properties | 5,148 | 3,925 |
| Intangible assets | 4,859 | 3,714 |
| Others | <u>4,279</u> | <u>4,181</u> |
| | <u>\$ 79,777</u> | <u>\$ 83,043</u> |

An analysis of depreciation
by function

| | | |
|------------------------|------------------|------------------|
| Operating costs | \$ 37,076 | \$ 39,799 |
| Operating expenses | 27,899 | 30,871 |
| Non-operating expenses | <u>5,664</u> | <u>4,478</u> |
| | <u>\$ 70,639</u> | <u>\$ 75,148</u> |

An analysis of amortization
by function

| | | |
|--------------------|-----------------|-----------------|
| Operating costs | \$ 5,963 | \$ 5,617 |
| Operating expenses | <u>3,175</u> | <u>2,278</u> |
| | <u>\$ 9,138</u> | <u>\$ 7,895</u> |

| | | |
|--|--|--|
| e. Operating expenses directly related to investment properties | | |
| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
| | <hr/> | <hr/> |
| Direct operating expenses of investment properties that generated rental income | <u>\$ 5,148</u> | <u>\$ 3,925</u> |
| f. Employee benefits | | |
| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
| | <hr/> | <hr/> |
| Short-term employee benefits | <u>\$ 416,829</u> | <u>\$ 411,680</u> |
| Post-employment benefits | | |
| Defined contribution plans | 22,766 | 21,495 |
| Defined benefit plans (Note 22) | <u>558</u> | <u>596</u> |
| | <u>23,324</u> | <u>22,091</u> |
| | <u>\$ 440,153</u> | <u>\$ 433,771</u> |
| Analysis of employee benefits by function | | |
| Operating costs | \$ 287,967 | \$ 284,424 |
| Operating expenses | <u>152,186</u> | <u>149,347</u> |
| | <u>\$ 440,153</u> | <u>\$ 433,771</u> |

To be in compliance with the Company Act, the Company distributed employees' compensation and remuneration of directors and supervisors at the rates no less than 1% and no higher than 5%, respectively, of the pre-tax profit before deduction for employees' compensation and remuneration of directors.

Because of the net operating loss for the three months ended March 31, 2023 employees' compensation and remuneration of directors were not accrued.

The employees' compensation and remuneration of directors and supervisors for the three months March 31, 2022 was NT\$303 thousand and NT\$73 thousand.

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the difference is recorded as a change in accounting estimate.

The employees' compensation and remuneration of directors and supervisors for 2022 and 2021 had been approved by the Board of Director in March, 2023 and 2022, as illustrated below:

| | | |
|---|---------------------------------------|-------------|
| | For the Year Ended December 31 | |
| | 2022 | 2021 |
| In Cash | | |
| Employees' compensation | \$ 12,060 | \$ 14,348 |
| Remuneration of directors and supervisors | 3,654 | 3,478 |

There is no difference between the actual payment of employees' compensation and remuneration of directors and supervisors and the amounts recognized in the financial statements for the years ended December 31, 2022 and 2021.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors are available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAX

- a. Major components of income tax expense (benefit) recognized in profit or loss are as follows:

| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
|--------------------------------|--|--|
| Current tax | | |
| In respect of the current year | \$ 342 | \$ 1,631 |
| Adjustments for prior years | (<u>5,631</u>) | <u>-</u> |
| | (5,289) | 1,631 |
| Deferred tax | | |
| In respect of the current year | <u>6,001</u> | (<u>3,325</u>) |
| | <u>\$ 712</u> | (<u>\$ 1,694</u>) |

- b. Income tax recognized directly in other comprehensive income

| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
|-----------------------------------|--|--|
| Deferred tax | | |
| In respect of the current period | | |
| Translation of foreign operations | <u>\$ 504</u> | <u>\$ 10,546</u> |

- c. Income tax assessments

The income tax returns of the Company and the subsidiaries (included APEC, Honor Seiki and Tong-Yeh) through 2020 have been assessed by the tax authorities. And subsidiaries (included Tongfong, Quick-Tech and Chin-Jig (liquidated in December, 2022)) through 2021 have been assessed by the tax authorities.

27. EARNINGS (LOSSES) PER SHARE

The net profit (loss) and weighted average number of ordinary shares outstanding in the computation of earnings (loss) per share were as follows:

Net profit (loss) for the period

| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
|--|--|--|
| Attributable to owners of the Company | (\$ <u>6,182</u>) | \$ <u>3,181</u> |

Weighted average number of ordinary shares outstanding (in thousands of shares)

| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 |
|---|--|--|
| Weighted average number of ordinary shares in computation of basic earnings per share | 254,827 | 254,827 |
| Effect of potentially dilutive potential ordinary shares: | | |
| Employees' compensation | <u>-</u> | <u>767</u> |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>254,827</u> | <u>255,594</u> |

The dilutive loss per share for the three months ended March 31, 2023 was the same as the basic loss per share because the result was net loss and, therefore, no earnings distribution and no potential dilutive shares from earnings distribution.

Since the Company offered to settle the compensation paid to employees by cash or shares, the Company assumed that the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In December 2022, the Company acquired 605,308 shares of Tong-Yeh from non-controlling interests at a total price of NT 13,499 thousand, resulting in an increase in the percentage of ownership of Tong-Yeh from 60.09% to 94.58%. The above transactions were accounted for as equity transaction since the Company did not cease to have control over the subsidiaries and increased capital surplus by NT\$1,456 thousand.

29. NON-CASH TRANSACTIONS

For the three months ended March 31, 2023 and 2022, the Company and its subsidiaries entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

| | <u>For the Three Months Ended March 31, 2023</u> | <u>For the Three Months Ended March 31, 2022</u> |
|---|--|--|
| Investing activities affecting both cash and non-cash items | | |
| Acquisition of property, plant and equipment | \$ 15,320 | \$ 23,940 |
| Decrease (Increase) of payable for equipment | (3,256) | (2,823) |
| Increase (Decrease) of prepayment for equipment | <u>34</u> | (<u>8,064</u>) |
| Cash paid | <u>\$ 12,098</u> | <u>\$ 13,053</u> |

30. DISPOSAL OF SUBSIDIARY

The subsidiary Time Trade International Limited resolved to sell the subsidiary Shanghai Chin-Jig all shares for NT\$16,009 thousand, and the disposal was completed in July, 2022, and lost control.

- a. Analysis of assets and liabilities on the date control was lost

| | <u>Shanghai Chin-Jig</u> |
|-------------------------------|--------------------------|
| Current assets | |
| Cash and cash equivalents | \$ 3,875 |
| Notes receivables | 1,112 |
| Trade receivables | 17,936 |
| Other receivables | 25 |
| Inventories | 12,819 |
| Other current assets | 6,639 |
| Non-current assets | |
| Property, plant and equipment | 16,099 |
| Other non-current assets | 80 |
| Current liabilities | |
| Contract liabilities | (2,611) |
| Payables | (17,090) |
| Other payables | (6,356) |
| Other current liabilities | (<u>388</u>) |
| Net assets disposed of | <u>\$ 32,140</u> |

- b. Loss on disposal of subsidiaries

| | <u>Shanghai Chin-Jig</u> |
|------------------------|--------------------------|
| Consideration received | \$ 16,009 |
| Net assets disposed of | (<u>32,140</u>) |
| Loss on disposals | (<u>\$ 16,131</u>) |

- c. Net cash inflow on disposals of subsidiaries

| | <u>Shanghai Chin-Jig</u> |
|---------------------------------|--------------------------|
| Consideration received in cash | \$ 16,009 |
| Less: Cash balances disposed of | <u>3,875</u> |
| | <u>\$ 12,134</u> |

31. CAPITAL MANAGEMENT

The Company and its subsidiaries manage their capital to ensure that, as a whole, they will be able to continue as going concerns; they use operating capital effectively and optimize debt and equity balance.

The key management personnel of the Company and its subsidiaries reviews the capital structure periodically. As part of the review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company and its subsidiaries may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

The capital structure of the Company and its subsidiaries consists of net debt and equity. It is the policy of the Company and its subsidiaries to monitor and comply with the terms of loan agreements (refer to Note 18).

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the Company and its subsidiaries believe the carrying amounts of financial asset and liabilities recognized in the consolidated financial statements approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-------------------|----------------|------------------|-------------------|
| March 31, 2023 | | | | |
| Financial assets at fair value through profit or loss - current | | | | |
| Foreign exchange forward contracts | \$ - | \$ 6 | \$ - | \$ 6 |
| Financial assets at FVTOCI - non-current | | | | |
| Domestic listed shares | \$ 151,114 | \$ - | \$ - | \$ 151,114 |
| Domestic unlisted shares | - | - | 34,571 | 34,571 |
| | <u>\$ 151,114</u> | <u>\$ -</u> | <u>\$ 34,571</u> | <u>\$ 185,685</u> |
| December 31, 2022 | | | | |
| Financial assets at fair value through profit or loss - current | | | | |
| Cross-currency swap contract | \$ - | \$ 11,948 | \$ - | \$ 11,948 |
| Financial assets at FVTOCI - non-current | | | | |
| Domestic listed shares | \$ 123,364 | \$ - | \$ - | \$ 123,364 |
| Domestic unlisted shares | - | - | 36,299 | 36,299 |
| | <u>\$ 123,364</u> | <u>\$ -</u> | <u>\$ 36,299</u> | <u>\$ 159,663</u> |

| <u>March 31, 2022</u> | | | | |
|---|-------------------|-----------------|------------------|-------------------|
| Financial assets at fair value through profit or loss - current | | | | |
| Cross-currency swap contract | \$ - | \$ 5,537 | \$ - | \$ 5,537 |
| Mutual funds | <u>24,623</u> | <u>-</u> | <u>-</u> | <u>24,623</u> |
| | <u>\$ 24,623</u> | <u>\$ 5,537</u> | <u>\$ -</u> | <u>\$ 30,160</u> |
| Financial assets at FVTOCI - non-current | | | | |
| Domestic listed shares | \$ 148,523 | \$ - | \$ - | \$ 148,523 |
| Domestic unlisted shares | <u>-</u> | <u>-</u> | <u>35,680</u> | <u>35,680</u> |
| | <u>\$ 148,523</u> | <u>\$ -</u> | <u>\$ 35,680</u> | <u>\$ 184,203</u> |

There was no transfer between Level 1 and Level 2 for the three months ended March 31, 2023 and 2022.

2) Reconciliation of Level 3 fair value measurements of financial assets

For the three months ended March 31, 2023

| <u>Financial assets</u> | <u>Equity Instruments</u> <u>Financial Assets at FVTOCI</u> |
|---|--|
| Balance, beginning of period | \$ 36,299 |
| Change in fair value recognized in other comprehensive income | (<u>1,728</u>) |
| Balance, end of period | <u>\$ 34,571</u> |

For the three months ended March 31, 2022

| <u>Financial assets</u> | <u>Equity Instruments</u> <u>Financial Assets at FVTOCI</u> |
|---|--|
| Balance, beginning of period | \$ 35,335 |
| Change in fair value recognized in other comprehensive income | <u>345</u> |
| Balance, end of period | <u>\$ 35,680</u> |

3) Valuation techniques and input applied for the purpose of measuring Level 2 fair value measurement.

Derivative instruments used the quoted price of bank as the basis of the fair values.

4) Valuation techniques and assumptions applied for the purpose of measuring Level 3 fair value measurement.

If there are no market price for reference, fair values were estimated by assessment approach.

For unlisted shares, fair values were determined based on the net worth of companies. For CNY floating rate financial products, fair values were estimated on the basis of expected rate of return.

c. Categories of financial instruments

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|--|---------------------------|------------------------------|---------------------------|
| <u>Financial assets</u> | | | |
| Financial assets at FVTPL | \$ 6 | \$ 11,948 | \$ 30,160 |
| Financial assets at amortized cost (1) | 5,020,183 | 4,689,421 | 5,029,949 |
| Financial assets at FVTOCI | | | |
| Equity instruments | 185,685 | 159,663 | 184,203 |
| <u>Financial liabilities</u> | | | |
| Financial liabilities at amortized cost (2) | 7,434,112 | 7,212,210 | 7,976,947 |

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, other financial assets (current and non-current), refundable deposits, and long-term notes and accounts receivable.
- 2) The balances included financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable (including related parties), other payables, long-term borrowings (including those due in one year) and deposits received.

d. Financial risk management objectives and policies

The Company and its subsidiaries' major financial instruments include equity investments, notes and accounts receivable, notes and accounts payable, short-term and long-term borrowings, short-term bills payable and lease liabilities. The Finance Department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company and its subsidiaries through internal risk reports which analyze exposures by degree and magnitude of risks. These risks are market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company and its subsidiaries minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company and its subsidiaries' policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company and its subsidiaries do not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company and its subsidiaries' activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below), interest rates (refer to (b) below) and other price (refer to (c) below).

There has been no change to the Company and its subsidiaries' exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company and its subsidiaries are exposed to foreign currency risk due to sales, purchases, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilizing cross-currency swap contract and foreign exchange forward contracts.

The carrying amounts of significant foreign currency monetary assets and liabilities at the balance sheet date are disclosed in Note 37.

The Company and its subsidiaries are mainly exposed to the USD, CNY and EUR. The following table details the Company and its subsidiaries' sensitivity to a 3% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 3%. The sensitivity analysis included only outstanding foreign currency denominated monetary items.

| | USD Impact | | CNY Impact | | EUR Impact | |
|-------------------------------|-------------------------------------|------------|------------|------------|------------|------------|
| | For the Three Months Ended March 31 | | | | | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Pre-tax profit or loss (Note) | (\$22,997) | (\$ 2,782) | (\$23,396) | (\$44,116) | (\$19,925) | (\$13,941) |

Note: These were mainly attributable to the exposure of the USD, CNY and EUR (including cash and cash equivalent, accounts receivable and payable (including related parties), other receivable, other payable and short-term and long-term borrowings), which were not hedged at the balance sheet date.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period. Foreign currency sales change according to customer order and business cycle.

b) Interest rate risk

The Company and its subsidiaries are exposed to interest rate risk because the Company and its subsidiaries borrowed funds at both fixed and floating interest rates. The risk is managed by the Company and its subsidiaries by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company and its subsidiaries' financial liabilities with exposure to interest rates at the balance sheet date were as follows:

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|-------------------------------|-------------------|----------------------|-------------------|
| Fair value interest rate risk | | | |
| Financial assets | \$ 12,800 | \$ 16,440 | \$ 23,068 |
| Financial liabilities | 823,009 | 712,790 | 760,729 |
| Cash flow interest rate risk | | | |
| Financial liabilities | 4,375,024 | 3,733,011 | 4,335,472 |

The sensitivity analysis below was determined based on the Company and its subsidiaries' exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The interest rates change of 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of financial liabilities had been 1% higher/lower and all other variables were held constant, the Company and its subsidiaries' pre-tax profit would have been higher/lower by NT\$10,938 thousand and NT\$10,839 thousand for the three months ended March 31, 2023 and 2022, respectively.

c) Other price risk

The Company and its subsidiaries are exposed to equity price risk through their investments in mutual funds, and domestic listed shares. If domestic listed shares equity prices and mutual funds had been 1% higher/lower, the pre-tax other comprehensive income for the three months ended March 31, 2023 and 2022 would have been higher/lower by NT\$1,511 thousand and lower/higher NT\$1,485 thousand, as a result of the changes in fair value of financial assets at FVTOCI respectively; the pre-tax loss for the three months ended March 31, 2022 would have been higher/lower by NT\$246 thousand as a result of the changes in fair value of financial assets at FVTPL.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company and its subsidiaries. As of the balance sheet date, the Company and its subsidiaries' maximum exposure to credit risk is the carrying amount of the financial assets on the consolidated balance sheets.

The Company and its subsidiaries adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company and its subsidiaries' exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Except for the following customer, the Company and its subsidiaries did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company and its subsidiaries' concentration of credit risk in receivables (including notes and accounts receivable, long-term notes and accounts receivable, overdue receivables and other receivables) by customer was as follows:

| <u>Customer</u> | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|-----------------|---------------------------|------------------------------|---------------------------|
| Company A | <u>\$ 64,166</u> | <u>\$ 104,230</u> | <u>\$ 355,001</u> |

3) Liquidity risk

The Company and its subsidiaries manage liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company and its subsidiaries' operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the Company and its subsidiaries' remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company and its subsidiaries can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate at the end of the balance sheet date.

March 31, 2023

| | 1 Year | 1-5 Years | 5+ Years | Total |
|----------------------------------|--------------------|--------------------|-------------------|--------------------|
| Non-interest bearing liabilities | \$2,062,396 | \$ 21,233 | \$ - | \$2,083,629 |
| Interest bearing liabilities | 4,133,782 | 1,074,323 | 276,529 | 5,484,634 |
| Finance lease liabilities | <u>57,629</u> | <u>179,803</u> | <u>712,036</u> | <u>949,468</u> |
| | <u>\$6,253,807</u> | <u>\$1,275,359</u> | <u>\$ 988,565</u> | <u>\$8,517,731</u> |

Further information for maturity analysis of lease liabilities was as follows:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|-------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Lease liabilities | <u>\$ 57,629</u> | <u>\$ 179,803</u> | <u>\$ 167,135</u> | <u>\$ 165,398</u> | <u>\$ 161,987</u> | <u>\$ 217,516</u> |

December 31, 2022

| | 1 Year | 1-5 Years | 5+ Years | Total |
|----------------------------------|--------------------|--------------------|-------------------|--------------------|
| Non-interest bearing liabilities | \$2,252,652 | \$ 22,769 | \$ - | \$2,275,421 |
| Interest bearing liabilities | 3,229,528 | 1,502,880 | 283,919 | 5,016,327 |
| Finance lease liabilities | <u>48,427</u> | <u>153,610</u> | <u>593,503</u> | <u>795,540</u> |
| | <u>\$5,530,607</u> | <u>\$1,679,259</u> | <u>\$ 877,422</u> | <u>\$8,087,288</u> |

Further information for maturity analysis of lease liabilities was as follows: :

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|-------------------|---------------------|------------------|------------------|------------------|------------------|------------------|
| Lease liabilities | <u>\$ 48,427</u> | <u>\$153,610</u> | <u>\$124,547</u> | <u>\$124,483</u> | <u>\$120,911</u> | <u>\$223,562</u> |

March 31, 2022

| | 1 Year | 1-5 Years | 5+ Years | Total |
|----------------------------------|---------------------|---------------------|-------------------|---------------------|
| Non-interest bearing liabilities | \$ 2,299,777 | \$ 6,500 | \$ - | \$ 2,306,277 |
| Interest bearing liabilities | 4,187,857 | 1,307,584 | 296,741 | 5,792,182 |
| Finance lease liabilities | <u>47,982</u> | <u>149,274</u> | <u>618,948</u> | <u>816,204</u> |
| | <u>\$ 6,535,616</u> | <u>\$ 1,463,358</u> | <u>\$ 915,689</u> | <u>\$ 8,914,663</u> |

Further information for maturity analysis of lease liabilities was as follows: :

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|-------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Lease liabilities | <u>\$ 47,982</u> | <u>\$ 149,274</u> | <u>\$ 131,401</u> | <u>\$ 124,520</u> | <u>\$ 121,328</u> | <u>\$ 241,699</u> |

e. Financial assets transfer information

For the year ended March 31, 2023 and 2022, the subsidiary Suzhou Tongyu signed a discounted notes receivable contract with the bank for NT\$100,917 thousand and NT\$37,608 thousand, respectively. According to the contract, if the bank acceptance receivable cannot be collected when expires, the assignee has the right to require the subsidiary Suzhou Tongyu to pay the outstanding balance. Therefore, the subsidiary Suzhou Tongyu did not transfer the significant risks and rewards of the bank acceptance receivable, and continued to recognize all bank acceptance receivable and used the transferred bank acceptance receivable as collateral for borrowings, please refer to Note 18.

As of March 31, 2023, December 31, 2022 and March 31, 2022, the carrying amounts of the un-derecognition transferred bank acceptance receivable were NT\$100,917 thousand, NT\$198,136 thousand and NT\$37,608 thousand, respectively, and the carrying amounts of related liabilities were NT\$100,917 thousand NT\$198,136 thousand and NT\$37,608 thousand, respectively.

33. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and its subsidiaries and other related parties are disclosed below:

a. The name of the related parties and their relationships with the Company and its subsidiaries

| <u>Related Party Name</u> | <u>Relationship</u> |
|-----------------------------------|---------------------------|
| Contrel Technology Co., Ltd. | Other related parties |
| Shiang Jen Co., Ltd. (Shiang Jen) | Other related parties |
| San Shin Co., Ltd. (San Shin) | Other related parties |
| Pt Tong - Tai Seikindo Utama | Substantial related party |

b. Sales of goods

| <u>Account Item</u> | <u>Related Party Type</u> | <u>For the Three Months Ended March 31, 2023</u> | <u>For the Three Months Ended March 31, 2022</u> |
|---------------------|---------------------------|--|--|
| Revenues from sales | Other related parties | <u>\$ 1,774</u> | <u>\$ 3,493</u> |

Sales to related parties are made at arm's length and the collection terms have no material difference with unrelated parties.

c. Purchase of goods

| <u>Related Party Type</u> | <u>For the Three Months Ended March 31, 2023</u> | <u>For the Three Months Ended March 31, 2022</u> |
|---------------------------|--|--|
| Other related parties | <u>\$ 25,663</u> | <u>\$ 43,420</u> |

The purchase prices and payment term have no material difference with unrelated parties.

d. Receivables from related parties

| <u>Account Item</u> | <u>Related Party Type</u> | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|---------------------------------------|---------------------------|---------------------------|------------------------------|---------------------------|
| Accounts receivable - related parties | Other related parties | <u>\$ 3,271</u> | <u>\$ 4,643</u> | <u>\$ 5,032</u> |
| Other accounts receivable | Other related parties | <u>\$ 1,273</u> | <u>\$ 1,192</u> | <u>\$ 987</u> |

f. Payables to related parties

| <u>Account Item</u> | <u>Related Party Type</u> | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|------------------------------------|---------------------------|---------------------------|------------------------------|---------------------------|
| Accounts payable - related parties | Other related parties | | | |
| | Shiang Jen | \$ 34,059 | \$ 46,701 | \$ 43,728 |
| | Shan Shin | <u>12,771</u> | <u>15,383</u> | <u>21,945</u> |
| | | <u>\$ 46,830</u> | <u>\$ 62,084</u> | <u>\$ 65,673</u> |
| Other accounts payable | Other related parties | <u>\$ 304</u> | <u>\$ 306</u> | <u>\$ 1,021</u> |
| Contract liabilities - current | Other related parties | <u>\$ -</u> | <u>\$ 11</u> | <u>\$ -</u> |

f. Other transactions with related parties

1) Commission expense (recognized as selling and marketing expenses)

| <u>Related Party Type</u> | <u>For the Three Months Ended March 31, 2023</u> | <u>For the Three Months Ended March 31, 2022</u> |
|---------------------------|--|--|
| Other related parties | <u>\$ -</u> | <u>\$ 174</u> |

2) Rental income

| <u>Related Party Type</u> | <u>For the Three Months Ended March 31, 2023</u> | <u>For the Three Months Ended March 31, 2022</u> |
|---------------------------|--|--|
| Other related parties | | |
| Shiang Jen | <u>\$ 1,350</u> | <u>\$ 1,320</u> |

The above rent was determined by negotiation and collected according to the contract. The contract price is comparable to the prices of similar contracts in the area.

g. Compensation of key management personnel

| | <u>For the Three Months Ended March 31, 2023</u> | <u>For the Three Months Ended March 31, 2022</u> |
|------------------------------|--|--|
| Short-term employee benefits | \$ 3,708 | \$ 3,171 |
| Post-employment benefits | <u>143</u> | <u>60</u> |
| | <u>\$ 3,851</u> | <u>\$ 3,231</u> |

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company and its subsidiaries' assets mortgaged or pledged as collateral for financial derivatives, short-term and long-term borrowings, lease of land at Southern Science Industrial Park, banker's guarantee and discount were as follows:

| | March 31, 2023 | December 31, 2022 | March 31, 2022 |
|---|---------------------------|------------------------------|---------------------------|
| Discounted notes receivable | \$ 100,917 | \$ 198,136 | \$ 37,608 |
| Property, plant and equipment | 1,841,971 | 1,841,222 | 1,950,774 |
| Investment properties | 237,714 | 240,912 | 158,241 |
| Other financial assets (including current and noncurrent portion) | <u>345,614</u> | <u>279,634</u> | <u>245,540</u> |
| | <u>\$ 2,526,216</u> | <u>\$ 2,559,904</u> | <u>\$ 2,392,163</u> |

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 15, significant commitments and contingencies of the Company and its subsidiaries as of March 31, 2023 were as follows:

- a. Unused letters of credit in the amount of NT\$10,954 thousand.
- b. The entered into a purchase agreement of equipment was NT\$ 7,567 thousand, unrecorded amount was NT\$ 1,954 thousand.
- c. For sales, bidding, export tariff and commodity tax, the Company and its subsidiaries entered into credit facility agreements with banks for commitment amount of NT\$246,682 thousand.

36. SIGNIFICANT SUBSEQUENT EVENT

In response to the long-term operational development, In April 2023, the subsidiary MBI to sell all ownership of HPC, wherein MBI has entered into a share sale agreement for a total selling price of EUR 2,267 thousand, resulting there not have a significant of gain or loss on disposal of a subsidiary.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and its subsidiaries and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

| | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount (In Thousands of New Taiwan Dollars) |
|----------------------------------|--|----------------------|---|
| March 31, 2023 | | | |
| Monetary foreign currency assets | | | |
| USD | \$ 38,572 | 30.45 (USD:NTD) | \$ 1,174,517 |
| USD | 1,215 | 0.919 (USD:EUR) | 36,997 |
| USD | 1,509 | 4.601 (USD:MYR) | 45,949 |
| EUR | 20,771 | 33.15 (EUR:NTD) | 688,559 |
| CNY | 183,558 | 4.431 (CNY:NTD) | 813,345 |

| | Foreign Currency (In Thousands) | Exchange Rate | | Carrying Amount (In Thousands of New Taiwan Dollars) |
|---|--|----------------------|-----------|---|
| Non-monetary foreign currency assets | | | | |
| Investment accounted for using the equity method | | | | |
| USD | 141 | 30.45 | (USD:NTD) | 4,292 |
| MYR | 8,984 | 6.618 | (MYR:NTD) | 59,458 |
| JPY | 100,363 | 0.2288 | (JPY:NTD) | 22,963 |
| Monetary foreign currency liabilities | | | | |
| USD | 11,302 | 30.45 | (USD:NTD) | 344,146 |
| USD | 3,061 | 0.919 | (USD:EUR) | 93,207 |
| USD | 1,758 | 4.601 | (USD:MYR) | 53,531 |
| CNY | 7,559 | 4.431 | (CNY:NTD) | 33,494 |
| EUR | 736 | 33.15 | (EUR:NTD) | 24,398 |
| Monetary foreign currency liabilities | | | | |
| Investment accounted for using the equity method | | | | |
| EUR | 4,533 | 33.15 | (EUR:NTD) | 150,273 |
| <u>December 31, 2022</u> | | | | |
| Monetary foreign currency assets | | | | |
| USD | \$ 41,714 | 30.71 | (USD:NTD) | \$ 1,281,037 |
| USD | 1,013 | 0.939 | (USD:EUR) | 31,109 |
| CNY | 207,068 | 4.408 | (CNY:NTD) | 912,756 |
| EUR | 20,370 | 32.72 | (EUR:NTD) | 666,506 |
| Non-monetary foreign currency assets | | | | |
| Investment accounted for using the equity method | | | | |
| USD | 169 | 30.71 | (USD:NTD) | 5,192 |
| MYR | 7,425 | 6.699 | (MYR:NTD) | 49,739 |
| JPY | 99,527 | 0.2324 | (JPY:NTD) | 23,130 |
| Monetary foreign currency liabilities | | | | |
| USD | 14,980 | 30.71 | (USD:NTD) | 460,036 |
| USD | 2,772 | 0.939 | (USD:EUR) | 85,128 |
| USD | 1,593 | 4.584 | (USD:MYR) | 48,921 |
| CNY | 7,739 | 4.408 | (CNY:NTD) | 34,114 |
| EUR | 496 | 32.72 | (EUR:NTD) | 16,229 |
| Non-monetary foreign currency liabilities | | | | |
| Investment accounted for using the equity method | | | | |
| EUR | 3,859 | 32.72 | (EUR:NTD) | 126,269 |

| March 31, 2022 | Foreign Currency (In Thousands) | Exchange Rate | | Carrying Amount (In Thousands of New Taiwan Dollars) |
|--|------------------------------------|---------------|-----------|---|
| Monetary foreign currency assets | | | | |
| USD | \$ 26,135 | 28.625 | (USD:NTD) | \$ 748,114 |
| EUR | 14,719 | 31.92 | (EUR:NTD) | 469,830 |
| CNY | 335,907 | 4.506 | (CNY:NTD) | 1,513,597 |
| Non-monetary foreign currency assets | | | | |
| Investment accounted for using the equity method | | | | |
| USD | 174 | 28.625 | (USD:NTD) | 4,984 |
| MRY | 7,290 | 6.536 | (MRY:NTD) | 47,646 |
| JPY | 104,957 | 0.235 | (JPY:NTD) | 24,696 |
| Monetary foreign currency liabilities | | | | |
| USD | 22,188 | 28.625 | (USD:NTD) | 635,132 |
| USD | 707 | 0.897 | (USD:EUR) | 20,238 |
| CNY | 9,554 | 4.506 | (CNY:NTD) | 43,050 |
| EUR | 161 | 31.92 | (EUR:NTD) | 5,139 |
| Monetary foreign currency liabilities | | | | |
| Investment accounted for using the equity method | | | | |
| EUR | 835 | 31.92 | (EUR:NTD) | 26,668 |

For the three months ended March 31, 2023 and 2022, net foreign exchange gains and losses were gain of NT\$5,643 thousand and loss of NT\$78,013 thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transaction and functional currencies.

38. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company:
- 1) Financial provided: Please see Table 1 attached;
 - 2) Endorsement/guarantee provided: Please see Table 2 attached;
 - 3) Marketable securities held (excluding investments in subsidiaries, associates and joint venture): Please see Table 3 attached;
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None;
 - 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None;
 - 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the

paid-in capital: None;

- 7) Total purchase from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
 - 9) Information about the derivative financial instruments transaction: Please see Note 7;
 - 10) Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 5 attached;
- b. Information about Subsidiaries: Please see Table 6.
- c. Information on investment in Mainland China
- 1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 7 attached;
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None;
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Please see Table 5 attached;
 - c) The amount of property transactions and the amount of the resultant gains or losses: None;
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None;
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Please see Table 1 attached;
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.
- d. Information of major shareholders: Please see Table 8 attached.

39. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Reported segments of the Company and its subsidiaries were as follows:

- Machine Manufacturer Segment: Including the Company, Suzhou Tongyu, Honor Seiki, APEC, PCI-SCEMM, CERIMATEC and Anger, which are engaging in the manufacturing and selling of machine tools and after-sales service.
- Component Manufacturer Segment: Including Tongfong, Tong-Yeh, Shanghai Chin-Jig (was disposed in July 2022), HPC and SKTD, mainly engage in sales and manufacturing of parts, mold and maintenance of machine tool.
- Others: Apart from the aforementioned segments, mainly engage in sales of machines, and holding investment and so on.

a. Segment revenues and operating results

| | Machine Manufacturer | Component Manufacturer | Others | Adjustment and Elimination | Total |
|--|-------------------------|---------------------------|--------------------|----------------------------------|---------------------|
| For the Three Months Ended March 31, 2023 | | | | | |
| Revenues from external customers | \$ 1,499,102 | \$ 88,575 | \$ 148,057 | \$ - | \$ 1,735,734 |
| Inter-segment revenues | <u>162,405</u> | <u>32,117</u> | <u>22,254</u> | <u>(216,776)</u> | <u>-</u> |
| Segment revenues | <u>\$ 1,661,507</u> | <u>\$ 120,692</u> | <u>\$ 170,311</u> | <u>(\$ 216,776)</u> | <u>\$ 1,735,734</u> |
| Segment profit (loss) | (\$ 35,767) | \$ 7,815 | \$ 22,172 | \$ 12,293 | \$ 6,513 |
| Interest income | 9,324 | 10 | 735 | (3,951) | 6,118 |
| Financial costs | (29,435) | (356) | (5,523) | 3,951 | (31,363) |
| Share of the profit (loss) of associates and subsidiaries | (287) | - | - | - | (287) |
| Other non-operating income and expenses | <u>(1,911)</u> | <u>1,567</u> | <u>42,734</u> | <u>(23,326)</u> | <u>19,064</u> |
| Profit (loss) before income tax | (58,076) | 9,036 | 60,118 | (11,033) | 45 |
| Income tax expense (benefit) | <u>106</u> | <u>506</u> | <u>100</u> | <u>-</u> | <u>712</u> |
| Net profit (loss) for the period | <u>(\$ 58,182)</u> | <u>\$ 8,530</u> | <u>\$ 60,018</u> | <u>(\$ 11,033)</u> | <u>(\$ 667)</u> |
| For the Three Months Ended March 31, 2022 | | | | | |
| Revenues from external customers | \$ 1,521,908 | \$ 80,333 | \$ 61,331 | \$ - | \$ 1,663,572 |
| Inter-segment revenues | <u>151,680</u> | <u>38,684</u> | <u>69,549</u> | <u>(259,913)</u> | <u>-</u> |
| Segment revenues | <u>\$ 1,673,588</u> | <u>\$ 119,017</u> | <u>\$ 130,880</u> | <u>(\$ 259,913)</u> | <u>\$ 1,663,572</u> |
| Segment profit (loss) | (\$ 66,884) | (\$ 7,778) | (\$ 5,094) | \$ 3,951 | (\$ 75,805) |
| Interest income | 3,090 | 1 | 473 | (1,627) | 1,937 |
| Financial costs | (20,574) | (291) | (1,687) | 1,627 | (20,925) |
| Share of the profit (loss) of associates and subsidiaries | 232 | - | - | - | 232 |
| Other non-operating income and expenses | <u>50,937</u> | <u>10,352</u> | <u>(82,526)</u> | <u>123,892</u> | <u>102,655</u> |
| Profit (loss) before income tax | (33,199) | 2,284 | (88,834) | 127,843 | 8,094 |
| Income tax expense (benefit) | <u>(2,594)</u> | <u>118</u> | <u>782</u> | <u>-</u> | <u>(1,694)</u> |
| Net profit (loss) for the period | <u>(\$ 30,605)</u> | <u>\$ 2,166</u> | <u>(\$ 89,616)</u> | <u>\$ 127,843</u> | <u>\$ 9,788</u> |

Segment profit represented the profit from operations earned by each segment and was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

| | <u>March 31, 2023</u> | <u>December 31, 2022</u> | <u>March 31, 2022</u> |
|----------------------------|---------------------------|------------------------------|---------------------------|
| <u>Segment assets</u> | | | |
| Machine Manufacturer | \$ 18,250,495 | \$ 17,676,850 | \$ 18,406,385 |
| Component Manufacturer | 382,037 | 368,705 | 465,471 |
| Others | 1,310,001 | 1,225,190 | 1,586,489 |
| Adjustment and Elimination | <u>(4,447,359)</u> | <u>(4,367,001)</u> | <u>(4,551,054)</u> |
| | <u>\$ 15,495,174</u> | <u>\$ 14,903,744</u> | <u>\$ 15,907,291</u> |
| <u>Segment liabilities</u> | | | |
| Machine Manufacturer | \$ 10,677,608 | \$ 10,083,729 | \$ 10,595,214 |
| Component Manufacturer | 205,453 | 201,352 | 287,023 |
| Others | 743,314 | 707,432 | 792,970 |
| Adjustment and Elimination | <u>(1,832,611)</u> | <u>(1,763,103)</u> | <u>(1,429,746)</u> |
| | <u>\$ 9,793,764</u> | <u>\$ 9,229,410</u> | <u>\$ 10,245,461</u> |

TABLE 1

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE THREE MONTHS ENDED MARCH 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Financing Company | Counter-party | Financial Statement Account | Related Party | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn (Note 4) | Interest Rate | Nature for Financing | Transaction Amounts | Reason for Financing | Allowance for Bad Debt | Collateral | | Financing Limits for Each Borrowing Company | Financing Company's Total Financing Amount Limits | Note |
|-----|---|---------------------------------------|-----------------------------------|---------------|--------------------------------|----------------|--------------------------------|---------------|----------------------|---------------------|----------------------|------------------------|------------|-------|---|---|--------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | Tongtai Machine & Tool Co., Ltd. | Tongtai Machinery Co., Ltd. | Other receivables - related party | Yes | \$ 70,035 | \$ 35,018 | \$ 33,495 | 1.7-3.8 | Note 1 | \$ - | Operating capital | \$ - | | \$ - | \$ 509,274 | \$ 1,018,548 | Note 2 |
| 0 | Tongtai Machine & Tool Co., Ltd. | Anger Machining GmbH | Other receivables - related party | Yes | 490,504 | 474,377 | 474,377 | 1.35-3.15 | Note 1 | - | Operating capital | - | | - | 509,274 | 1,018,548 | Note 2 |
| 0 | Tongtai Machine & Tool Co., Ltd. | Tongtai Europe B.V. | Other receivables - related party | Yes | 140,208 | 70,035 | 70,035 | 1.3-3.8 | Note 1 | - | Operating capital | - | | - | 509,274 | 1,018,548 | Note 2 |
| 0 | Tongtai Machine & Tool Co., Ltd. | Suzhou Tongyu Machine Tool Co., Ltd. | Other receivables - related party | Yes | 177,240 | 177,240 | 177,240 | 2.8-3 | Note 1 | - | Operating capital | - | | - | 509,274 | 1,018,548 | Note 2 |
| 0 | Tongtai Machine & Tool Co., Ltd. | mbi-group Beteiligung GmbH | Other receivables - related party | Yes | 26,520 | 26,520 | 23,205 | 1.35 | Note 1 | - | Operating capital | - | | - | 509,274 | 1,018,548 | Note 2 |
| 0 | Tongtai Machine & Tool Co., Ltd. | Tong-Yeh Precision Industry Co., Ltd. | Other receivables - related party | Yes | 35,600 | 30,000 | 7,600 | 1.3-1.7 | Note 1 | - | Operating capital | - | | - | 509,274 | 1,018,548 | Note 2 |
| 1 | Union Top Industrial (Samoa) Limited | Anger Machining GmbH | Other receivables - related party | Yes | 90,632 | 90,632 | 90,632 | 1.5 | Note 1 | - | Operating capital | - | | - | 106,086 | 212,172 | Note 3 |
| 1 | Union Top Industrial (Samoa) Limited | mbi-group Beteiligung GmbH | Other receivables - related party | Yes | 9,614 | 9,614 | 9,614 | 3 | Note 1 | | Operating capital | | | | 106,086 | 212,172 | Note 3 |
| 1 | Union Top Industrial (Samoa) Limited | Tongan GmbH | Other receivables - related party | Yes | 16,641 | 16,641 | 16,641 | 3.5 | Note 1 | | Operating capital | | | | 106,086 | 212,172 | Note 3 |
| 2 | Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines | TTGroup France | Other receivables - related party | Yes | 6,630 | 6,630 | 6,630 | 2.21 | Note 1 | - | Operating capital | - | | - | 34,330 | 68,660 | Note 3 |

Note 1: The need for short-term financing.

Note 2: According to the "Procedures for Lending Funds to Other Parties" established by the Company, the aggregate lending amount and the amount lending to any individual entity having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending and shall not exceed 20% of the net worth of the Company. The aggregate lending amount and the amount lending to any individual entity for short-term financing shall not exceed 20% and 10% of the net worth of the Company.

Note 3: According to the "Procedures for Lending Funds to Other Parties" established by the subsidiaries, the aggregate lending amount and the amount lending to any individual entity having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of 12 months prior to the time of lending and shall not exceed 20% of the net worth of the Company. The aggregate lending amount and the amount lending to any individual entity for short-term financing shall not exceed 20% and 10% of the net worth of the Company.

Note 4: All the transactions had been eliminated when preparing consolidated financial statements.

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorsement/Guarantee Provider | Endorsee/Guarantee | | Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn | Amount of Endorsement/Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement /Guarantee to Net Equity per Latest Financial Statements (%) | Maximum Endorsement/Guarantee Amount Allowable | Guarantee Provided by Parent Company | Guarantee Provided by Subsidiary | Guarantee Provided to Subsidiaries in Mainland China | Note |
|-----|----------------------------------|--------------------------------------|--|--|--------------------------------|----------------|-----------------------|--|---|--|--------------------------------------|----------------------------------|--|------|
| | | Name | Nature of Relationship | | | | | | | | | | | |
| 0 | Tongtai Machine & Tool Co., Ltd. | Union Top Industrial (Samoa) Limited | The Company owns directly or indirectly over 50% ownership of the investee company | \$ 1,527,822 | \$ 470,306 | \$ 469,844 | \$ 301,946 | \$ - | 9.23 | \$ 2,546,370 | Y | - | - | |
| 0 | Tongtai Machine & Tool Co., Ltd. | Mbi-group Beteiligung GmbH | The Company owns directly or indirectly over 50% ownership of the investee company | 1,527,822 | 33,150 | 33,150 | 33,150 | - | 0.65 | 2,546,370 | Y | - | - | |
| 0 | Tongtai Machine & Tool Co., Ltd. | Anger Machining GmbH | The Company owns directly or indirectly over 50% ownership of the investee company | 1,527,822 | 566,718 | 447,525 | 436,586 | - | 8.79 | 2,546,370 | Y | - | - | |
| 0 | Tongtai Machine & Tool Co., Ltd. | Tongan GmbH | The Company owns directly or indirectly over 50% ownership of the investee company | 1,527,822 | 16,285 | - | - | - | - | 2,546,370 | Y | - | - | |
| 0 | Tongtai Machine & Tool Co., Ltd. | Asia Pacific Elite Corp. | The Company owns directly or indirectly over 50% ownership of the investee company | 1,527,822 | 235,000 | 235,000 | 201,800 | - | 4.61 | 2,546,370 | Y | - | - | |
| 0 | Tongtai Machine & Tool Co., Ltd. | Quick-Tech Machinery Co., Ltd. | The Company owns directly or indirectly over 50% ownership of the investee company | 1,527,822 | 75,720 | 55,450 | - | - | 1.09 | 2,546,370 | Y | - | - | |
| 0 | Tongtai Machine & Tool Co., Ltd. | Tong-Yeh Precision Co., Ltd. | The Company owns directly or indirectly over 50% ownership of the investee company | 1,527,822 | 25,000 | 25,000 | 21,500 | - | 0.49 | 2,546,370 | Y | - | - | |
| 0 | Tongtai Machine & Tool Co., Ltd. | Tongtai Machine Tool (SEA) Sdn. Bhd. | The Company owns directly or indirectly over 50% ownership of the investee company | 1,527,822 | 30,480 | 30,450 | - | - | 0.60 | 2,546,370 | Y | - | - | |

Note: According to the "Procedures for Making Endorsements and Guarantees" established by the Company, the ceilings on the amounts to make endorsements/guarantees are as follows,

1. For Tongtai Machine & Tool Co., Ltd.,

- (1) The ceilings on the amounts for the aggregate amounts to the entities shall not exceed 50% of the net worth of the Company.
- (2) The ceilings on the amounts for any individual entity to the entities shall not exceed 30% of the net worth of the Company.

2. For Tongtai Machine & Tool Co., Ltd. and subsidiaries,

- (1) The ceilings on the amounts for the aggregate amounts to the entities shall not exceed 50% of the net worth of the Company.
- (2) The ceilings on the amounts for any individual entity to the entities shall not exceed 30% of the net worth of the Company.
- (3) Except for (1) and (2), the total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company for the twelve-month period immediately before the extension of endorsement/guarantee (the business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher).

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

March 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Held Company Name | Type and Name of Marketable Securities | Relationship with The Company | Financial Statement Account | March 31, 2023 | | | | Note |
|----------------------------------|--|----------------------------------|---|----------------|-------------------|-----------------------------|-------------------|------|
| | | | | Shares/Units | Carrying Value | Percentage of Ownership (%) | Fair Value | |
| Tongtai Machine & Tool Co., Ltd. | Common stock Control Technology Co., Ltd. | Same president | Financial assets at fair value through other comprehensive income - non current | 6,849,178 | \$ 138,696 | 4 | \$ 138,696 | |
| | SHIANG JEN CO., LTD. | The held company as its director | Financial assets at fair value through other comprehensive income - non current | 1,520,000 | 16,858 | 19 | 16,858 | |
| | World Known MFG (Cayman) Limited | - | Financial assets at fair value through other comprehensive income - non current | 280,000 | 12,418 | 1 | 12,418 | |
| | USYNC INC. | - | Financial assets at fair value through other comprehensive income - non current | 295,371 | 11,576 | 4 | 11,576 | |
| | WORLD KNOWN MFG. CO., LTD. | - | Financial assets at fair value through other comprehensive income - non current | 229,729 | 6,137 | 1 | 6,137 | |
| | | | | | <u>\$ 185,685</u> | | <u>\$ 185,685</u> | |

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE THREE MONTHS ENDED MARCH 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Related Party | Relationship | Ending Balance (Note 3) | Turnover Rate | Overdue | | Amount Received in Subsequent Period | Allowance for Impairment Loss |
|----------------------------------|--------------------------------------|--------------|-------------------------|---------------|---------|--------|--------------------------------------|-------------------------------|
| | | | | | Amount | Amount | | |
| Tongtai Machine & Tool Co., Ltd. | Suzhou Tongyu Machine Tool Co., Ltd. | Subsidiary | \$ 248,586(Note 1) | 0.28 | \$ - | - | \$ 2,975 | \$ - |
| | Anger Machining GmbH | Subsidiary | 485,780(Note 2) | 1.39 | - | - | - | - |

Note 1: Including accounts receivable amounted of NT\$70,278 thousand and other receivable amounted of NT\$178,308 thousand. Other receivable was excluded in the calculation turnover rate.

Note 2: Including accounts receivable amounted of NT\$3,524 thousand and other receivable amounted of NT\$482,256 thousand. Other receivable was excluded in the calculation turnover rate.

Note 3: All the transactions had been eliminated when preparing consolidated financial statements.

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Investee Company | Counterparty | Relationship | Transaction Details | | | |
|-----|---|---|--------------------------|------------------------------|-----------|---------------------------------------|---|
| | | | | Financial Statement Accounts | Amount | Payment Terms | % of Total Operating Revenues or Assets |
| 0 | Tongtai Machine & Tool Co., Ltd. | Suzhou Tongyu Machine Tool Co., Ltd | Parent to subsidiary | Accounts receivable | \$ 70,278 | Based on contracts | 0.45 |
| 0 | Tongtai Machine & Tool Co., Ltd. | Suzhou Tongyu Machine Tool Co., Ltd | Parent to subsidiary | Other receivable | 178,308 | Based on contracts and BOD resolution | 1.15 |
| 0 | Tongtai Machine & Tool Co., Ltd. | Tongtai Machine Tool (SEA) Sdn. Bhd. | Parent to subsidiary | Accounts receivable | 53,525 | Based on contracts | 0.35 |
| 0 | Tongtai Machine & Tool Co., Ltd. | Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines | Parent to subsidiary | Sales | 46,475 | Based on contracts | 2.68 |
| 0 | Tongtai Machine & Tool Co., Ltd. | Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines | Parent to subsidiary | Accounts receivable | 37,646 | Based on contracts | 0.24 |
| 0 | Tongtai Machine & Tool Co., Ltd. | Anger Machining GmbH | Parent to subsidiary | Other receivable | 482,256 | Based on contracts and BOD resolution | 3.11 |
| 0 | Tongtai Machine & Tool Co., Ltd. | Tongtai Europe B.V. | Parent to subsidiary | Other receivable | 70,363 | Based on contracts and BOD resolution | 0.45 |
| 1 | Tongfong Auto Tech Co., Ltd. | Tongtai Machine & Tool Co., Ltd. | Subsidiary to Parent | Accounts receivable | 40,947 | Based on contracts | 0.26 |
| 2 | Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines | CERIMATEC | Subsidiary to Subsidiary | Other receivable | 36,371 | Based on contracts | 0.23 |
| 3 | Union Top Industrial (Samoa) Limited | Anger Machining GmbH | Subsidiary to Subsidiary | Other receivable | 92,940 | Based on contracts and BOD resolution | 0.60 |

TABLE 6

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE THREE MONTHS ENDED MARCH 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of March 31, 2023 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|---|----------------|--|----------------------------|-------------------|----------------------|--------|-----------------|-----------------------------------|------------------------|------|
| | | | | March 31, 2023 | December 31, 2022 | Number of Shares | % | Carrying Amount | | | |
| Tongtai Machine & Tool Co., Ltd. | Union Top Industrial (Samoa) Limited | Samoa | General investment | \$ 560,867 | \$ 560,867 | 16,465,400 | 100.00 | \$ 1,056,272 | (\$ 2,534) | (\$ 2,534) | Note |
| Tongtai Machine & Tool Co., Ltd. | Tongfong Auto Tech Co., Ltd. | Kaohsiung City | Sales of electric automation equipment | 14,005 | 14,005 | 1,500,000 | 100.00 | 41,011 | 1,982 | 1,982 | Note |
| Tongtai Machine & Tool Co., Ltd. | Asia Pacific Elite Corp. | Taichung City | Sales and manufacturing of equipment | 409,240 | 409,240 | 14,515,634 | 99.83 | 120,910 | (6,798) | (6,528) | Note |
| Tongtai Machine & Tool Co., Ltd. | Quick-Tech Machinery Co., Ltd. | Kaohsiung City | Sales and manufacturing of equipment | 197,989 | 197,989 | 11,896,891 | 99.14 | 55,586 | 6,564 | 6,669 | Note |
| Tongtai Machine & Tool Co., Ltd. | Honor Seiki Co., Ltd. | Kaohsiung City | Sales and manufacturing of equipment | 106,721 | 106,721 | 22,108,109 | 54.47 | 603,358 | (9,299) | (5,065) | Note |
| Tongtai Machine & Tool Co., Ltd. | Tong-Yeh Precision Co., Ltd. | Kaohsiung City | Sales, manufacturing and processing of machine component | 28,020 | 28,020 | 1,659,790 | 94.58 | 41,318 | 830 | 785 | Note |
| Tongtai Machine & Tool Co., Ltd. | Tongtai Machine & Tool Japan Co., Ltd. | Japan | Sales and manufacturing of equipment | 31,561 | 31,561 | 889 | 100.00 | 22,963 | 192 | 192 | Note |
| Tongtai Machine & Tool Co., Ltd. | Tong Tai Machinery Co., Ltd. | Thailand | Sales of customized machine | 5,854 | 5,854 | 999,998 | 100.00 | 23,690 | 1,217 | 1,217 | Note |
| Tongtai Machine & Tool Co., Ltd. | Tongtai Seiki Vietnam Co., Ltd. | Vietnam | Sales of customized machine | 9,054 | 9,054 | 631,080 | 100.00 | 22,780 | (373) | (373) | Note |
| Tongtai Machine & Tool Co., Ltd. | Tongtai Machine Tool (SEA) Sdn. Bhd. | Malaysia | Sales of customized machine | 5,107 | 5,107 | 520,000 | 52.00 | 23,398 | 20,140 | 10,473 | Note |
| Tongtai Machine & Tool Co., Ltd. | Tongtai Machine Tool (MFG) Sdn. Bhd. | Malaysia | Sales and manufacturing of equipment | 71,952 | 71,952 | 8,500,000 | 100.00 | 36,060 | (110) | (110) | Note |
| Tongtai Machine & Tool Co., Ltd. | Tong-Tai Seiki USA, Inc. | USA | Sales of merchandise | 71,667 | 71,667 | 100 | 100.00 | 4,292 | (855) | (855) | Note |
| Tongtai Machine & Tool Co., Ltd. | Tongtai Mexico ,S.A. DE C.V. | Mexico | Sales and maintenance of machine tools | 10,155 | 10,155 | 65,999 | 100.00 | 5,190 | (770) | (770) | Note |
| Tongtai Machine & Tool Co., Ltd. | Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines | France | Sales, manufacturing and maintenance of machine tools | 182,200 | 182,200 | 1,000,000 | 100.00 | 306,958 | (40,204) | (40,204) | Note |
| Tongtai Machine & Tool Co., Ltd. | Tongtai Europe B.V. | Netherlands | Sales of merchandise | 96,221 | 96,221 | 9,000 | 100.00 | (45,957) | 1,633 | 1,633 | Note |
| Tongtai Machine & Tool Co., Ltd. | Tongan GmbH | Austrian | General investment | 597,771 | 597,771 | 35,000 | 100.00 | (411,274) | 16,691 | 16,691 | Note |
| Tongtai Machine & Tool Co., Ltd. | Printin3d DigiTech Co., Ltd. | Taoyuan City | Development of 3D printer of digital Implantology | 10,000 | 10,000 | 1,000,000 | 40.00 | 7,828 | (719) | (287) | |
| Tongtai Machine & Tool Co., Ltd. | Cyber Laser Taiwan Co., Ltd. | Tainan City | Machine and manufacturing of electronic component | 20,000 | 20,000 | 2,000,000 | 33.00 | - | - | - | |
| Union Top Industrial (Samoa) Limited | Great Pursuit Limited | Samoa | General investment | 40,054 | 40,054 | - | 55.00 | - | - | - | Note |
| Tongtai Machine & Tool Japan Co., Ltd. | SKTD Co., Ltd. | Japan | Design and development of machine tools | 23,203 | 23,203 | 780 | 98.73 | 17,632 | 529 | 522 | Note |
| Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines | TTGroup France | France | Sales of merchandise | 1,076 | 1,076 | 30,000 | 100.00 | (6,136) | (2,125) | (2,125) | Note |
| Process Conception Ingenierie-Societe de Construction D'equipments, De Mecanisations Et De Machines | CERIMATEC | France | Sales of machine tools | 9,816 | 9,816 | 300,000 | 100.00 | (1,514) | (6,807) | (6,807) | Note |
| Tongan GmbH | Mbi-group Beteiligung GmbH | Austrian | General investment | 611,202 | 611,202 | - | 100.00 | (396,024) | 16,468 | 16,893 | Note |
| Mbi-group Beteiligung GmbH | HPC Produktions GmbH | Austrian | Sales of mold and equipment | 1,215 | 1,215 | - | 100.00 | 74,031 | 5,190 | 5,190 | Note |
| Mbi-group Beteiligung GmbH | Anger Machining GmbH | Austrian | Sales, manufacturing and maintenance of machine tools | 595,855 | 595,855 | - | 100.00 | (385,041) | 11,416 | 11,416 | Note |
| Anger Machining GmbH | Anger Machining Inc. | USA | Sales and maintenance of machine tools | 122 | 122 | 60,000 | 100.00 | 7,493 | 6,114 | 6,114 | Note |
| Anger Machining GmbH | Anger Service Deutschland GmbH | Germany | Sales and maintenance of machine tools | 868 | 868 | - | 100.00 | 2,414 | (55) | (55) | Note |

Note: All the transactions had been eliminated when preparing consolidated financial statements.

TABLE 7

TONGTAI MACHINE & TOOL CO., LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Paid-in Capital (Note 1) | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 (Note 1) | Remittance of Funds (Note 1) | | Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2023 (Note 1) | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of March 31, 2023 | Accumulated Repatriation of Investment Income as of March 31, 2023 | Note |
|---|--|-----------------------------|--|--|---------------------------------|--------|--|--------------------------------------|--|---------------------------------------|--|--|--------|
| | | | | | Outward | Inward | | | | | | | |
| Tong-Yu Machine Tool (Shanghai) Co., Ltd. | Sales and maintenance of machine tools | \$ 73,324 | Investments through a holding company registered in a third region | \$ 73,324 | \$ - | \$ - | \$ 73,324 | (\$ 2,145) | 100.00 | (\$ 2,145) | \$ 88,583 | \$ - | Note 4 |
| Suzhou Tongyu Machine Tool Co., Ltd. | Manufacturing of digital control machine and system | 761,250 | Investments through a holding company registered in a third region | 761,250 | - | - | 761,250 | (307) | 100.00 | (307) | 1,123,593 | 199,923 | Note 4 |
| Shanghai Tong-Tai-Shin Trading Co., Ltd. | International trade | 6,090 | Investments through a holding company registered in a third region | 6,090 | - | - | 6,090 | (21) | 100.00 | (21) | 9,434 | 8,972 | Note 4 |
| Hao-Tern-Shin Electronics (Shenzhen) Co., Ltd. | Sales and manufacturing of printed circuit board | 76,125 | Investments through a holding company registered in a third region | 41,869 | - | - | 41,869 | - | 55.00 | - | - | - | Note 4 |

| Investee Company | Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2023 (Note 1) | Investment Amount Authorized by Investment Commission, MOEA (Note 1) | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3) |
|----------------------------------|---|--|--|
| Tongtai Machine & Tool Co., Ltd. | \$ 882,533 | \$ 882,533 | \$ 3,055,644 |

Note 1: The amounts were calculated based on the foreign exchange rate as of March 31, 2023.

Note 2: The basis for recognition of investment income (loss) of Suzhou Tongyu Machine Tool Co., Ltd. was based on the financial statements reviewed and attested by R.O.C. parent company's CPA while the others were based on the financial statements which have not been reviewed for the same periods.

Note 3: The limit on investment in Mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" shall not exceed 60% of their net worth.

Note 4: All the transactions had been eliminated when preparing consolidated financial statements.

TABLE 8**TONGTAI MACHINE & TOOL CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS****March 31, 2023**

| Name of The Major Shareholder | Shares | |
|-------------------------------|---------------------------------|-----------------------------|
| | Number of Shares Owned (shares) | Percentage of Ownership (%) |
| San Shin Investment Co., Ltd. | 20,826,889 | 8.17 |

Note 1: Major shareholders in the Table above are shareholders owning 5% or more of the Company's common shares (only ones that have completed dematerialized registration and delivery) based on calculations performed by the Taiwan Depository & Clearing Corporation using data as of the last business date at the end of each quarter.

Note 2: Where the stocks are entrusted by shareholders, information is disclosed by the individual account of settlor who has segregated trust accounts opened by trustees. As for shareholders filing shareholdings of insiders with 10% or more of the Company's stocks pursuant to the securities and exchange laws and regulations, the number of stocks owned shall be ones owned by the persons plus ones entrusted where the shareholders have the power to decide how to utilize the trust property. Please access the Market Observation Post System website for information on insiders' shareholding filings.